Governance Change in Facilities Management

Institutional and Interfirm Perspectives

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Preface

The scholarship from the Higher Education Commission (HEC) of Pakistan gave me an opportunity to pursue PhD in the Netherlands. I would like to thank the people of my country and HEC for this valuable financial support.

Well the production of this thesis owes to the support of a number of people. First and foremost I would like to thank my supervisor and promoter Professor Ed Vosselman who afforded me freedom and encouragement to drive my PhD independently. He kept on providing massive support and back-up till the end. The discussions, comments and suggestions either in the regular appointments or in RACC (Research Center for Accounting and Control Change) conferences were very inspiring, constructive and invaluable. I am deeply indebted to him for the intellectual and professional growth I have experienced during the last five years. His availability, enthusiasm and motivation have been tremendous.

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The company of other colleagues in the accounting group has always been encouraging and facilitating. Whether it is the chuckle of Geert Braam or interesting jokes of Roel Aernoudts (in addition to insightful reactions to serious matters) or precise comments of Professor Paula van Veen Dirks or few but nice encounters and discussions with Koos Wagensveld or firmness of Ferdy van Beest or sharing office with Abdul Rehman, it has been a perfect combination of a prized accounting group. I am grateful to all the accounting colleagues for their readiness whenever I needed their support.

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A big contribution to this thesis comes from the interviewees and the people who provided assistance in getting access to the interviewees. I am grateful to all the interviewees for sparing time for interviews and for their patience and feedback.

Klaartje van Genugten was the first contact person (program officer) regarding my enrolment in the PhD at the Nijmegen School of Management. She took care of all the matters concerning my arrival and stay in the Netherlands. I recall my meetings and coffee breaks with her during the early days of my arrival in the Netherlands and it makes me feel good. My deep admiration also goes to Michelle Mellion. Michelle you are a considerate, compassionate and a lovely human being. Thank you for all the valued time we had either at your place, our place or at university.

Now it is time to talk about three musketeers Marleen, Boti and Kaleem. We had great time together at Groesbeeksweg 167 (the house where I lived for more than two years). I treasure our chats and dinners in the evenings, my avoidance to wash dishes and performing ritual of standing in the kitchen, watching movies together, discussing and cursing the problems (well, PhD was one of the problems) and countless other things. Marleen and Boti, you are one of the few loveliest people I have ever met in my life. I thank you for being close to me when I needed your support. Marleen I am happy that you'll be a paranmyph at my defense ceremony.

Professor Gerrit Steunebrink is a pleasant happening in my life. Though working in different academic spheres (Gerrit is in Philosophy / Theology) we have some common interests and our lunch discourses, on different aspects of life including PhD, philosophy and Pakistan's political situation, have been very refreshing. My high appreciation goes to him.

Now it is time that I thanked all the Pakistani friends whom I met when I came to the Netherlands. Some were already in the Netherlands and some came after me. These people inlcude Dr. Muhammad Ali, Dr. Afsheen Tabassuum, Sadia Saeed, Ghulame Rubbaniy, Aamir Aslam, Mesha Saeed, Ahmad Waqas Goraya, Zafar Iqbal, Saiden Abbaas, Zahid Butt, Muhammad Ansar, Abdul Rehman, Muhammd Ajmal and Jawad Qureshi. Sadia thank you for reading some chapters of my thesis. My best regards to Dr. Muhammad Ali, Dr. Afsheen Tabassum and Sadia Saeed for making us feel at home in a foreign country. Other families that have been a great source of support and happiness include the families of Zafar Iqbal, Muhammad Ansar, Saiden Abbaas and Jawad Qureshi. All of us, especially, Zafar, Ansar, Abdul and Saiden, had great fun and invaluable time together. Unforgettable moments include tennis, playing cards and bowling. I would like to thank you all for your support and company. Well some friends in Pakistan have also been close to me though I lived abroad. Dear Muhammad Iftikhar, Ather Naseer, Imran Haider, Muhammad Altamash and Muhammad Anwar, your constant contact with me has always kept me in high spirits. Atif Arif I remember that you insisted that I should apply for HEC scholarship.

I am indebted to my father, Muhammad Siddique, who is my first teacher. He taught me to read, write and do basic mathematics. I am also grateful to my mother, Ghulam Fatima, for her self-less and unconditional love and care. The life and place in this world that I have today owes a lot to the wishes and hard work of my parents. I am part of their bodies and souls. I would also like to thank my brothers and sisters for their emotional support and wishes. I have deep admiration for my mother-in-law, Fatima Jan, for being with us at the time of the birth of our third son and at that time I was trying to wind up the thesis. Her presence was a huge emotional support. She freed me from many important household and family things and I could finish my work.

Last but not least, I would like to thank my wife, Beanish Iqbal, for the completion of this thesis. Beanish, I always find solace, peace and love with you. I revere your patience, sacrifice and care during the last four years. I recognize that I could not give time to you and kids (Shammaas, Wahub and Zaki) because of this damn PhD. But I know you are also happy now because PhD has met its end. I am lucky and glad to have you besides me at my defense.

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CHAPTER 1: INTRODUCTION

1.1 Introduction

This research is an attempt to understand the change in governance at two different levels (see figure 1). One is the level of the field of facilities services. The supportive services and processes (e.g; cleaning, repairs & maintenance, communications, catering, relocations, etc.) are called facilities services and the management of these processes and services is known as facilities management. The field level analysis examines the changes in the governance at a wider level instead of a particular firm or an interfirm level. The field includes different organizations such as suppliers of facilities services, service providers, professional associations, consultants, researchers & educators, facilities managers and the clients (organizations) of the service providers or suppliers. At this level, it has been investigated *why* and *how* the governance is changing in the field of facilities services in the Netherlands. A new governance form labeled as Integrated Facilities Management (IFM) has emerged during the last 10 year or so. IFM means that both the execution and management of the facilities services are outsourced to a single service provider.

There are different definitions of governance. According to Williamson (2000) governance is an effort to craft *order*, thereby to mitigate *conflict* and realize *mutual gains*. Jones et al. (1997) state that organizational governance is about the mechanisms used by firms in coordinating economic activity. Governance has also been defined as the package of practices used to regulate lateral relations that extend organizational boundaries or that of organizational units. It includes the notion of control, but is a wider concept (Minnaar and Vosselman, forthcoming; Nooteboom 1999). In this thesis, governance refers to the different 'packages of practices' that regulate lateral relations regarding the execution and the management of facilities services, both at field level and at the level of intra- and interfirm organizational relationships. At the level of intra- and interfirm organizational relationships the notion of governance is strongly connected to that of management control, where the focus is on influencing managers of and in the interfirm relationships in order to enhance effectiveness and efficiency (Minnaar and Vosselman, forthcoming).

Figure 1. Focus of the Research

*Focus of the
Research*

**Field
Level**

Client Organizations	Service Providers	Professional Associations
Consultants	Suppliers	Facilities Managers
FM researchers and educators		

*IFM
Governance
at Field Level*

**Interfirm
Level**

Specific Client Organization ⟷ Specific Service Provider
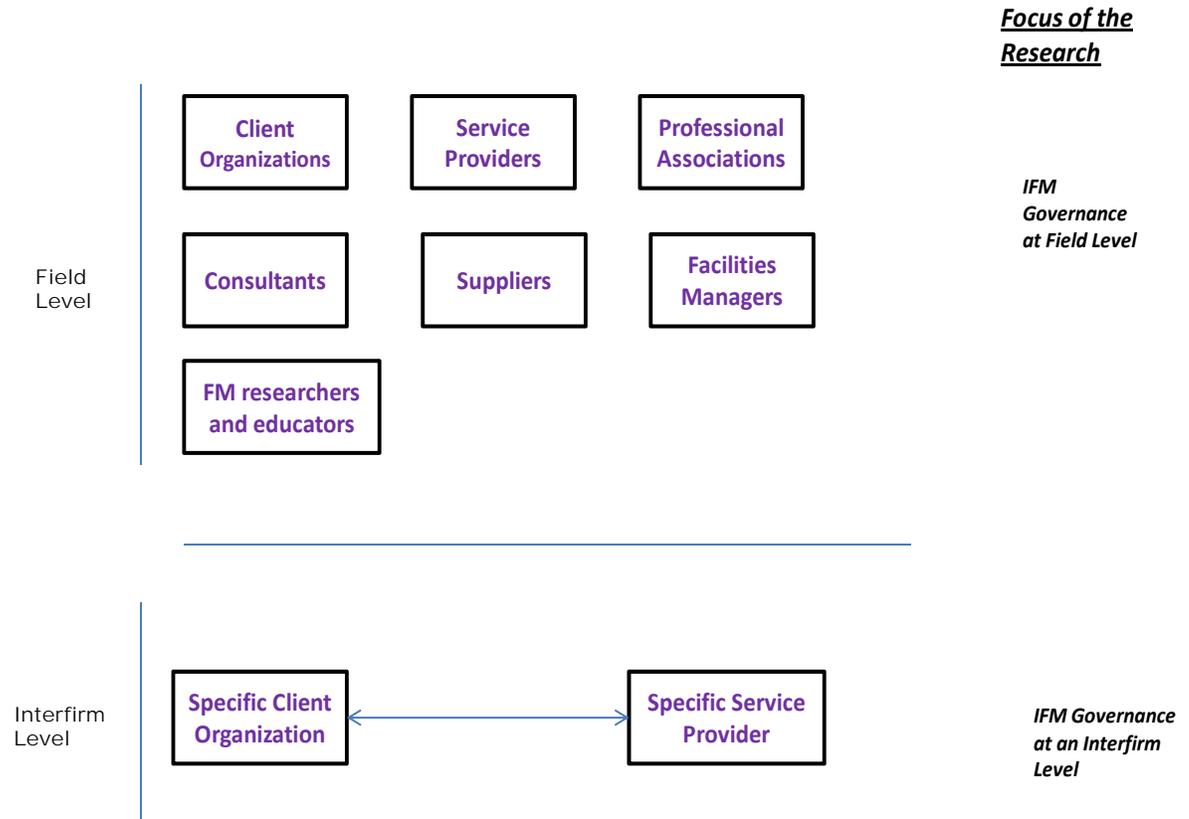
*IFM Governance
at an Interfirm
Level*

Prior research on organizational governance to a substantial extent focuses on understanding changes in organizational design, particularly on changes between markets, hierarchies and networks (Thornton, Jones, and Kury 2005). However, institutional logics at wider societal levels shape the governance designs and strategies for organizations (Greenwood and Hinings 1993). The field[1] level analysis focuses on these wider institutional logics, particularly on the role of some institutional entrepreneurs in the process of the social construction and institutionalization of IFM. As the thesis proceeds, it will be shown how the institutional entrepreneurs have shaped (and are still shaping) the governance in the field of facilities services by constructing IFM as an important contemporary 'package of practices'. The thesis will demonstrate how the 'logic of rationalization' (cost reduction/savings) has strongly influenced the field of FM in the Netherlands over the last three decades. This logic is connected to societal logics of markets and corporations wherein the focus is on increasing shareholders' value and profits. Influential academic research (e.g informed by theories on the value chain and on lean and mean production) developed over time also strengthened the 'logic of rationalization'. Although an alternative 'logic of professionalism' also exists in the field of FM, the 'logic of rationalization' has no doubt been dominant over the last three decades. The thesis will show that different forms of governance may survive and thrive because of their consistency with one dominant institutional logic in the organizational field. This deviates from prior research (e.g; Lounsbury and Crumley 2007) which attributes the emergence of different practices to change in institutional logics. This research shows that a new practice can emerge without change in the dominant institutional logics.

The logics and the packages of practices prove to be spread across the field by international organizations. The international organizations, either as service providers, as client organizations or as consultants, are field-crossing actors because they simultaneously exist at

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[1] The term field or field level or organizational field means the domains of organizations that in aggregate constitute a recognized area of institutional life, such as key suppliers, resource and product consumers, regulatory agencies and other organizations producing similar services and products (DiMaggio & Powell, 1983) or a community of organizations that interact frequently and fatefully with each other (Scott, 1995) or institutional logics or broad belief systems (Friedland and Alford, 1991). But more than just a collection of influential organizations, a field is the center of common channels of dialogue and discussion. This important clarification leads to a conception of organizational fields that diverges from that dominant in the literature. A field is not formed around common technologies or common industries, but around issues that bring together various field constituents with disparate purposes (Hoffman, 1999, p.352). In this research organizational field comprises all the organizations which are somehow or the other connected to IFM (a governance form).

different spaces / levels such as organizational fields, national fields and the transnational field. This field crossing capacity enables these actors to spread the logics, ideas and practices across the fields. Particularly, the international service providers and consultants are the *institutional entrepreneurs* who shape the field by using the professional associations and other networks as platforms through conferences, seminars, market reports and other publications.

Field research analysis investigates the how and why of governance by drawing upon two different concepts of rationalities (instrumental rationality and institutional rationality) discussed in the institutional theory in sociology-ITS (e.g; Lounsbury 2008). Institutional entrepreneurship assumes the existence of instrumental rationality. Instrumental rationality displays and focuses the active agency of institutional entrepreneurs in response to institutional pressures. It is contrasted with institutional rationality that displays and emphasizes the influence of institutional logics on the cognition and actions of the actors (The concepts of these rationalities will be further explained in the coming chapters).

The second level of analysis is the level of a specific interfirm relationship. The thesis investigates how governance is shaped when an organization adopts the new institution of governance (IFM in this case) and enters into a long term interfirm relationship. At the level of the relationship between a buyer and a seller the transactions have to be controlled and trust may play an active role. The field level research in this thesis reveals that top management is mostly interested in costs savings and flexibility and that they are of the opinion that an adoption of IFM as one of the few institutionalized governance choices available at the field level will indeed realize cost savings and flexibility. The adoption decision may or may not result in the successful and durable relationship between the contracting organizations. The research will reveal that local managers (called boundary spanners in this research), their involvement in the contracting process and their commitment to the relationship, and the institutional environment may be very important in the development of a longstanding trusting relationship. It will be demonstrated that the creation of trust apparently gives parties a feeling of being free from the influence of explicitly designed controls such as contracts and performance management system. Yet, trust proves

to produce an implicit (invisible) control. This implicit control is tacit and consists of a frame that, at the one hand, defines the situation in the relationship as a cooperative one in which short term self-interest is subordinate to the interest of the relationship and at the other hand, guides decisions and actions by the parties involved. Based on this research work it will be shown how trust may be an implicit control structure that positively influences the behavior of boundary spanners. It may also influence and change the explicit control systems. Together and in interaction, the explicit control structure and implicit control structure govern the relationship. Further implicit control or trust may emerge and develop through the enactment of either explicit control systems or voluntary actions of boundary spanners. However, the field study also reveals how a trust-based relationship developed over years can turn into a power-based relationship and, thus, how an implicit control structure may rupture and emphasis may shift to explicit controls. The role, shared understandings, norms and values of boundary spanners prove to be critical to the shaping of the interfirm relationship. The historical development of the interfirm relationship had consequences for the governance of that relationship.

1.2 Research Objectives and Questions

The aim of this research is to understand the emergence and development of a new institution of governance (IFM) at the level of the field of facilities services in the Netherlands and then the adoption and further implementation / development of such an institution of governance at the level of an interfirm relationship, with a particular focus on the role of management control and trust. The role of accounting either as a part of control systems (such as contracting, performance measurement, incentive system, etc.) or as a trust building device is also implicated in the inquiry. The research questions are as follows:

1- Why and how is governance changing in the field of facilities services in the Netherlands?
2- How is IFM, as an institution of governance, socially constructed at field level and what particularly is the role of institutional entrepreneurs?

3- How is governance in a specific interfirm relationship shaped through the development and interaction of control and trust, and how is accounting implicated in that development?

In order to address the above research questions, first a field level analysis was conducted and then it was zoomed into a specific interfirm relationship

1.3 Theories

In the field level analysis this research draws upon institutional theory in sociology (ITS). ITS is more appropriate for understanding the institutional change at field level and broader societal levels. Processes of institutionalization may exist at different levels, namely a society, a state, an organizational field, a community, an organization, a group or an individual (Scott 2008a; Suddaby and Greenwood 2009). Institutions are both supra-organizational patterns of activity through which humans conduct their material life in time and space, and symbolic systems through which they categorize that activity and infuse it with a meaning (Friedland and Alford 1991). In the field level research governance is conceptualized as an institution, because the deployment of governance involves practices (material social relations) as well as communication of meanings. A package of practices like governance, providing order and meaning to a set of activities, is best understood as an institution—practices that are fundamentally interpenetrated and shaped by broader cultural frameworks such as categories, classifications, frames and other kinds of ordered belief systems (Bourdieu 1977; Lounsbury and Ventresca 2003; Lounsbury and Crumley 2007; Mohr 2000). The change in institutions of governance in the field of facilities services is the focus of this research. Each institution has a central logic which is a set of material practices and symbolic constructions. The logic constitutes the organizing principles of an institution and is available to organizations and individuals to elaborate (Friedland and Alford 1991). The different institutional logics are contradictory and may change over time. Thus, as per ITS, the change in the institutional logics, that is, both new social relationships (material practices) and new symbolic orders, of an institution leads to the change in that institution. Institutional contradictions give birth to the most important political conflicts and institutional changes. Individuals and organizations may draw upon and exploit institutional

contradictions and transform institutions. Such individuals and organizations are called the institutional entrepreneurs. Viewing governance as an institution, the thesis is an effort to understand why and how governance is changing in the field of facilities services and how a new institution of governance (IFM) is being socially constructed at the level of the field of facilities services.

The theoretical basis for the examination of governance at interfirm level comes from the extant literature on management control and trust in interfirm relationships. Organizational control has been defined as the processes by which organizations govern their activities so that they continue to achieve the objectives they set for themselves (Emmanuel, Otley, and Merchant 1990). The existing literature on management control in interfirm relationships draws upon the same idea of organizational control. Thus, control, or more specifically management control, is designed to meet the objectives set by the cooperating organizations. It meets coordination requirements and it copes with appropriation concerns (Dekker 2004). Management control in interfirm relationships comprises both formal (e.g; contract, performance measurement systems, incentive-penalty system, etc.) and informal control (e.g; involvement in the decision making process, rituals, ceremonies, etc.). Though a management control system is an effort to constrain opportunism, reduce uncertainty and encourage cooperation, it may also bring costs, constraints, mistrust and hindrances in the development of an interfirm relationship. Thus, trust could also be a relevant dimension of governance in addition to management control systems. Trust not only makes transactions cheaper and more agreeable but also yields greater flexibility (Nooteboom 1999). Trust also reduces the costs of contracting and control because it alleviates the risk of opportunism (Bradach and Eccles 1989). There is much overlap in the functions of control and trust and this has led to a substantial number of studies that investigate the relationship between control and trust (Bradach and Eccles 1989; For instance, Macaulay 1963; Puranam and Vanneste 2009; Uzzy 1997; Vélez, Sánchez, and Álvarez-Dardet 2008; Vosselman and Van der Meer-Kooistra 2009). The current research aims to further contribute to the knowledge production. It aims to investigate the processes in and dynamics of the relationship between management control and trust in the context of a specific interfirm relationship as they are related to institutional developments at field level. By doing so this effort responds to the calls for more in depth longitudinal studies on the relationship between control and

trust(Caglio and Ditillo 2008; Free 2008), while at the same time responding to a call for multi-level analyses (Hopper and Major 2007; Lounsbury 2008).

1.4 Research Method

The research interprets the processes through which a governance institution (IFM) in the field of facilities services in the Netherlands is socially constructed. Then it further interprets the processes and dynamics that take place at the level of a particular interfirm relationship when a governance institution is adopted by an individual organization. The methodological approach used is qualitative field research (for details see chapter 3). The main source of data is the semi-structured interviews; in total 33 interviews were conducted. Out of these 33 semi-structured interviews, 19 focused on a specific interfirm relationship (interfirm level) and 14 paid attention to the field of facilities services (field level). In the field level analysis, the interviewees were consultants, service providers, clients, facilities managers and representatives of professional associations. At the interfirm level, the interviewees included the managers at different hierarchical and functional units of the two firms involved. However, the data collected from all the interviews was helpful in both field and interfirm level analyses. In addition to the interviews, 4 general meetings and two seminars were arranged to get access to the interviewees and also to present interim results of this research. The feedback during the discussions of the results was helpful in further analysis and interviews. Also, documents were collected from different organizations, in order to get more insights into the field in general and into the specifics of a particular interfirm relationship. These documents proved to be very useful during the investigation process. Desk research also included academic research in Facilities Management (FM) published between 1994 and 2010 in the FM journals. Both academic and non-academic documents were used to understand the historical development of the field of FM and development of the institutions of governance.

In order to study the development of the interfirm relationship over time and to have a rich contextual data, the field research was a longitudinal study. At this level, the interviews were conducted in two rounds. The process of data collection started in June 2008 and the first

round of interviews ended in September 2009. The second round of interviews was conducted from June 2010 till November 2010.

1.5 Research Contributions: Theoretical and Practical Relevance

This thesis contributes to two fields of research, namely to the academic field of accounting & control and to the academic field of facilities management. However, the primary contribution is to the field of accounting & control. Within the accounting & control discipline, this research particularly contributes to two streams of accounting research, namely institutional perspectives on accounting and control change, and management control and trust in interfirm relationships. More specifically, the field level analysis links up with extant knowledge informed by institutional theory from sociology (ITS), whereas the analysis of the interfirm relationship is connected to extant knowledge on management control and trust in interfirm relationships.

1.5.1   Field Level Governance Institutionalization—an institutional perspective

A review of extant literature in accounting & control drawing upon ITS reveals that there has been much emphasis on the adoption and diffusion of 'given' organizational constructs[2] with little attention being paid to the emergence and development of new constructs. An institutional perspective from ITS focuses on the adoption of 'new' institutions at the level of a specific organization or organizational relationship though such characterization of ITS has been criticized as a caricatured version of ITS (e.g; Lounsbury, 2008). Whereas a rational choice perspective emphasizes efficiency considerations and reveals conscious rational decision making at the level of the specific organization or organizational relationship, an ITS perspective emphasizes legitimacy considerations and views the adoption and diffusion as more or less isomorphic. Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions (Suchman 1995; p.574). Our study, however, does not focus on the diffusion and adoption side of 'new' institutions (governance in this case), but on the construction side. It seeks to gain knowledge on how a package of practices in the area of governance is socially constructed at field level. Therefore, the focus of this

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2 The word 'organizational construct' means an organizational form as well as a governance / management control structure.

part of the study is on construction at field level (e.g; O' Dwyer, Owen, and Unerman 2011) rather than on adoption at organizational level and thereby adding to a limited number of ITS based studies in accounting that focused on the field level (Examples inlcude Dillard, Rigsby, and Goodman 2004; Ezzamel, Robson, Stapleton, and McLean 2007; Hopper and Major 2007; O' Dwyer, Owen, and Unerman 2011). Related to the research focus, special consideration will be given to the path creating and path changing individuals or organizations to whom this research refers as the institutional entrepreneurs (e.g; Garud, Hardy, and Maguire 2007). Instead of treating organizations as a-rational and passive entities (Lounsbury 2008) that have no potential to bring about institutional change (i.e. the creation or construction of new practices or the de-institutionalization of an existing institution of governance), organizations are assumed to inhabit agents with path breaking capabilities. In other words, the aim is to study how and why a 'new' governance gains acceptance in the field of FM.

This research is unique in the sense that it focuses not only on the instrumental rationality (active agency of the powerful actors in the field as institutional entrepreneurs in response to the institutional pressures) but also the institutional rationality (the logics i.e. broader cultural beliefs and rules that structure cognition and decision making of the actors). By doing this, the research explains the how and why of the governance change in the field of FM in the Netherlands. The field research reveals that some actors transcend the organizational field boundaries and they are connected to other national and transnational fields. These actors bring changes in the governance in the field of FM in the Netherlands. These field-crossing actors are multinational organizations; they include client organizations, service providers, consultants and professional associations. Two of these field-crossing actors (service providers and consultants) got the identity of institutional entrepreneurs because they actively participated in the social construction of IFM in the field of FM in the Netherlands. The local service providers and consultants proved to follow the international ones. The professional associations provided the stage to disseminate the ideas inter alia through conferences and publications. Moreover, the initial adopters of IFM (international client organizations) were drawn upon to narrate their success stories to further reinforce the concept. So, this thesis reveals that over the last decades the social construction of IFM is broadly explained by

instrumentally rational behaviour by institutional entrepreneurs in the form of service providers and consultants. But why are the actors behaving in such a way? The thesis seeks to answer this question by drawing on the concept of institutional rationality that emphasizes the role of institutional logics in guiding the cognition and decision making of the people and organizations. Through historical analysis of the academic and professional literature in the field of FM in the Netherlands in combination with interviews, the research reveals that the field of FM has been dominated by the 'logic of rationalization' (reduction of costs) that is in turn connected to broader logics of shareholders value (market) and profitability (corporation). This logic influences all the participants in the field of FM including the institutional entrepreneurs. It is analyzed that the 'logic of rationalization' has been reinforced over time by the 'performativity' of theories of the value chain, lean and mean production, emphasizing the legitimacy of outsourcing. It is suggested that the 'logic of rationalization' has further been reinforced by the competition and financial crisis over time.

Lastly, prior literature on institutional logics shows that the practices change and new practices emerge because underlying logics of the field change (e.g; Lounsbury and Crumley 2007; Thornton 2002). But this research demonstrates that different sets practices and institutions (for instance both the concept of IFM and less integrated constructions) may survive and endure without change in the dominant logics because they are all compatible with the dominant logic. New governance (new practices) form emerged over time in the field of FM though there has been only one dominant institutional logic of rationalization.

As is stated above, the contribution to the FM domain (both in an academic and in a professional sense) was not the primary focus of this research. Nevertheless, the research result may provide the practitioners in the field of FM with knowledge that may help them in reflecting on the ongoing change in institutions of governance. The study expands the knowledge in the field of FM, which to a large extent is focused on technical aspects of FM. More reflection by practitioners is particularly relevant because the 'logic of professionalism' does not seem to dominate in the field of FM in the Netherlands. Apart from some ripples of professionalism in the literature (Exceptions include Duffy 2000; Roberts 2001), there is hardly any academic support for such reflection.

This research also questions an all too positive notion of the practitioners' literature about IFM/TFM and an overload of success stories of IFM. Further, the research observes some inconsistencies in the market reports of FM in the Netherlands.

1.5.2   Interfirm Level Governance—an interactive perspective on control and trust

This study also contributes to the knowledge production on accounting, control and trust in interfirm relationships. Trust and control have been theorized as both substitutes and complements, but there is a need to go beyond a simple complements-substitutes dichotomy (Puranam and Vanneste 2009). Prior studies examined the influence of formal control system on trust (Colleti, Sedatole, and Towry 2005; Vélez, Sánchez, and Álvarez-Dardet 2008) and how trust could affect control (e.g; Vosselman and Van der Meer-Kooistra 2009). Longitudinal research into the evolution of accounting, control and trust has been suggested (e.g; Free 2008; Caglio and Ditillo 2008; Gulati 2010). This thesis contains a longitudinal field study of an interfirm relationship that builds on theory on the dynamics of control and trust in an interfirm relationships (Vosselman and Van der Meer-Kooistra, 2009). It is receptive to a warning by Free (2008), who questions the romanticized notion of trust and suggests that power-based relationships may be cloaked in a fake perception of trust.

This study makes a number of contributions to the extant literature. Firstly, it shows that an interfirm relationship may experience both trust and power at different periods of time. It reveals that there existed a trusting relationship for more than two years with one (old) management or boundary spanners (the contact persons in the respective collaborating organizations). But later the trust decreased and power emerged as a consequence of the arrival of new boundary spanners. Therefore, in contrast with extant literature, this research suggest that a prior trusting relationship may be questioned and may not lead to further development of trust.

Secondly, while Van der Meer-Kooistra and Vosselman (2000) theorize that trust is particularly important and may be a replacement for control in transactional relations that are characterized by high complexity and environmental uncertainty, this study reveals that the

significance of trust in transactional relations may not only be dependent on complexity and uncertainty, but also on the actions and mindset (values and norms) of the boundary spanners. Earlier work (e.g; Dekker, 2004; Vosselman and Van der Meer-Kooistra , 2009) theorizes that formal control structures (in the form of performance management and incentive systems) are deliberately written down in a contract in order to align interests and, thus, in order to cope with appropriation concerns. However, this study suggests that contracting is not only a tool for safeguarding, but also an inducement of commitment. Therefore, as suggested by Woolthuis et al, (2005), the contract serves various purposes. Safeguarding aspects and commitment aspects may be observed in different time areas, one aspect becoming prevalent in different time areas.

Thirdly, the trust built in an interfirm relationship may be limited only to the boundary spanners and may not extend to some of the other managers in the participating organizations. But if the trust is limited only to the boundary spanners and it is built only on the information coming from the formal control system (e.g; KPIs), other members of the organizations may feel alienated for not being heard in the design of the formal control system. It proved to be very important whether the boundary spanners consider the formal control system as a valuable tool in the relationship or not. This particularly raises a question as to what the trust between organizations means. Is it trust between the boundary spanners or between both the organizations as a whole?

Fourthly, the talk of trust may dissemble power and opportunism (Free 2008) and in the opportunistic atmosphere one powerful partner may dominate contract contents and execution (Woolthuis, Hillebrand, and Nooteboom 2005). Since trust is the result of a communication process through which meanings and values are shared (Hardy, Philips, and Lawrence 1998), a resulting match between the values of the boundary spanners is very important. When there remains a mismatch, trust may not develop and the power of one of the partners may become salient.

Fifthly, much of the literature on trust between organizations classifies trust as 'good', pacifying uncertainty and creating stability and mistrust as 'bad' (Free 2008). However, trust

may bring inertia, it may reduce incentives for innovation, adaptation and change. This study reveals that once trust (or implicit control) is built it also influences the formal control, informal control and the agency / freedom of the boundary spanners. Particularly it is suggested that trust makes the boundary spanners complacent. Such complacency might not be in the economic interest of the parties involved. Lastly, the history and context prove to be very important for the development of an interfirm relationship. Trust is not an objective condition and it varies between individuals, even those individuals in otherwise identical conditions (Nooteboom, Berger, and Noorderhaven 1997). In this study, the history and context include the role (and agency) of boundary spanners, the influence of legal environment in the country and the special circumstances (or changes thereof) of the interfirm relationship over time.

1.6 Thesis Structure

This thesis has eight chapters. Chapter two describes the facilities services, facilities management and the developments in the field of facilities management over the last 20 years, especially the developments related to the governance of facilities services. Then it discusses the emergence of a new mode of governance that is becoming very much popular in the field of facilities services in the Netherlands. This mode of governance is called the integrated facilities management (IFM) or total facilities management (TFM).

Chapter three discusses the methodological approach of this field research. It explains why the researcher adopted a qualitative field study approach and how the research was done including the collection of data, description and analysis of the field data.

The objective of chapter four is to review the extant literature in ITS and accounting and the latest insights in the ITS literature. This chapter ends with a theoretical framework that is used in chapter five to show how and why the governance, particularly IFM, has been shaping at the level of the field of facilities services in the Netherlands.

Chapter six takes the governance from the field to a specific interfirm level. This chapter reviews the state of the art on the governance (management control and trust) of interfirm

relationships. This chapter ends with the theoretical ambitions of the field research at an interfirm level. Chapter seven describes the setting, start and development of a specific interfirm relationship over a period of four years. This chapter provides an analysis and discussions of a longitudinal interfirm relationship.

Chapter eight concludes this thesis. This chapter contains three parts. The first part is about the overview of the research project. Then the theoretical contributions are elaborated in the next part. The last part of this chapter is about the limitations of this research and contains recommendations for future research.

CHAPTER 2: GOVERNANCE DEVELOPMENTS IN THE FIELD OF FACILITIES SERVICES IN THE NETHERLANDS

2.1.   Introduction

This chapter provides an overview of the governance developments in the field of facilities services in the Netherlands. It heavily draws on field documents such as market reports, magazines and other non-academic literature but not to the exclusion of academic literature in the field of facilities management (FM). The structure of the current chapter is as follows. First, it is explained what is meant by facilities services in this research i.e. what type of specific facilities services fall within the scope of this thesis. Then the concept of FM is discussed and a brief comparison is made between US and European (also Dutch) definitions of FM. The next section talks about the FM market in Europe and the Netherlands. The second last section gives a description of governance developments in the field of FM in the Netherlands. The last section summarizes this chapter.

2.2.   Facilities Services

Facilities services are all those services that support the core operations of any organization. Broadly speaking, services that belong to any discipline or function that are not directly related to the core operations of the organization are all facilities services. In this sense, human resource management or the accounting function are both facilities services. But in this thesis, the latter functions are excluded and the scope of this thesis is limited to a specific type of facilities services. The specific scope and focus is helpful in making a lucid and logical investigation and contribution. Besides, the data was collected from a specific field of facilities services. Such facilities services include building and office environment related services such as a fire prevention system, heating ventilation and air-conditioning (HVAC), environment and safety, technical maintenance, water management, energy and utilities management. The following table (1) gives some examples of facilities services:

Table 1: The Facilities Services

Major type of Service	Description
Office Services	Cleaning, reprographics, reception, parking, planting, data management and office supplies
Projects	Capital works, space management, relocations and change management
Communications	Multi client service desk, mail, telecom, courriers and signage
Hospitality	Catering, conference, audiovisual services, flowers and event management
Building and Environment	Fire prevention system, heating ventilation and air-conditioning (HVAC), environment and safety, repairs and maintenance, water management, energy and utilities management

2.3 Facilities Management (FM)

There is a debate on the definition of facilities management (FM) and its scope (De Bruijn, Van Wezel, and Wood 2001). Generally speaking, FM includes managing and controlling some activities that support the primary processes of an organization. A comprehensive definition describes FM*" as an integrated approach to operating, maintaining, improving and adapting the buildings and infrastructure of an organization in order to create an environment that strongly supports the primary objectives of that organization"* (De Bruijn, Van Wezel, and Wood 2001).

The US and the Dutch (the Dutch having played a major role in Europe in promoting the development of FM education) have contrasting definitions of FM (Cotts and Lee 1992, p.3). Two US definitions cited by Wagenberg (1997) are as follows:

"*The practice of coordinating the physical workplace with the people and work of the organization; it integrates the principles of business administration, architecture and the behavioral and engineering sciences*" (Becker 1987).

"*FM is responsible for coordinating all efforts related to planning, design and managing buildings and their systems, equipment and furniture to enhance the organization's ability to compete successfully in a rapid changing world*" (De Bruijn, Van Wezel, and Wood 2001; Wagenberg 1997).

The European Committee for Standardization (CEN) gives a European (presuming Dutch also) definition of FM. According to CEN, FM *"is the integration of processes within an organization to maintain and develop the agreed services which support and improve the effectiveness of its primary activities"* (EN15221-1:2006 Facility Management-Part 1: Terms and definitions). As per CEN, FM covers and integrates a very broad scope of processes, services, activities and facilities[3]. CEN claims that the field of FM can be grouped under two headings representing 'People, Place, Process':

- *Space & Infrastructure* which includes client demand for (work-) space through services such as space planning, workplace, design, construction, lease, occupancy management, building operations, maintenance, furniture, equipment, technical infrastructure, cleaning, etc.
- *People & Organization* which includes client demands for health services, catering, event management, ICT, hospitality, security, safety, human resource management, logistics, office supplies, document management, accounting, marketing, etc.

The main difference between the US and the European (also Dutch) definitions is that the European definition is broader. It explicitly includes services that are not closely connected to space (building services) and infrastructure but that fit within a more broad definition of FM, as for instance given by Grinshaw (2003), is as follows: "*FM is a general management function responsible for the facility as a result of planning and coordinating the support processes, aimed at the promotion of the success of the core process of the organization*" (Grimshaw 2003).

Summing up, in a broad sense FM could be characterized by any or all of the following statements (Becker 1990):

(1) FM is a technical function concerned with maintaining the practical utility of the physical infrastructure to ensure it supports the core activity of an organization (operational maintenance).

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[3] Browsed on 08-03-2011 at the website of European FM Network at: http://www.eurofm.org/about-us/what-is-fm/

(2) FM is an economic function concerned with ensuring the efficient use of physical resources by controlling cost (financial control).

(3) FM is a strategic function concerned with the forward planning of physical infrastructure resources to support organizational development and reduce risk (change management).

(4) FM is a social function concerned with ensuring the physical infrastructure of work meets the legitimate needs of users within their organizational roles (user interfacing).

(5) FM is a service function concerned with the provision of non-core support services (support services).

(6) FM is a professional function with social responsibility for people in the workplace (advocacy).

In a broad sense, FM is an integrated management approach that perceives its role as being a significant determinant of corporate goal alignment. It provides competitive advantage by a philosophy of focus on core and restructuring. The desired outcome is the saving of senior management time and improvement in effectiveness (Pathirage, Haigh, Amaratunga, and Baldry 2008).

FM is a relatively a new profession (Gilleard, Chan, Ratcliffe, and Pilling 1994; Tay and Ooi 2001) and it has achieved a foothold as a discipline since 1980s (Ventovuori, Lehtonen, Salonen, and Nenonen 2007). The idea of FM as a better way of dealing with facilities and services originated in the USA in the beginning of 1980s and then came to the Netherlands (and the rest of Europe) in the mid-1980s (Brat 1996; Wagenberg 1997). It does not mean that FM did not exist before 1980s. But in the 1980s the idea became popular as a new and better way of dealing with facilities services.

2.4 Facilities Management (FM) Market Size in Europe and the Netherlands

FM market size in 2008 in relation to GDP in Europe at large was €655 billion and in the Netherlands it was approximately €26 billion. The market size refers to the total expenditure on FM services as well as the ratio between internal and external services. External services are the outsourced facilities services. Table 2 shows the country wise details:

Table 2. FM Market Size in Europe till 2008

Country		Market segmentation		GDP	FM market size 2008 in relation to GDP			Ranking
Country	ID	Country cluster allocation	Market type allocation	GDP at market price 2005 [billion EUR]	Market size FM 2008 external services [billion EUR]	Market size FM 2008 internal services [billion EUR]	Market size FM 2008 FM 2008 internal and external services [billion EUR]	
United Kingdom	**UK**	**Northern Europe**	**Pioneer Market**	**1,859.05**	**128.26**	**76.13**	**204.39**	**1**
Germany	**DE**	**Central Europe**	**Developed Market**	**2,360.06**	**37.80**	**35.58**	**73.38**	**2**
France	**FR**	**Western Europe**	**Developed Market**	**1,795.75**	**28.62**	**30.27**	**58.89**	**3**
Italy	**IT**	**Southern Europe**	**Developed Market**	**1,488.29**	**21.60**	**27.18**	**48.78**	**4**
Spain	**ES**	**Southern Europe**	**Developed Market**	**949.66**	**16.20**	**21.11**	**37.31**	**5**
Russia	RU	Eastern Europe	Emerging Market	645.55	11.59	20.17	31.76	6
Netherlands	NL	Western Europe	Pioneer Market	527.08	15.48	10.46	25.93	7
Belgium	BE	Western Europe	Developed Market	313.13	7.25	8.15	15.41	8
Switzerland	CH	Central Europe	Developed Market	309.92	7.18	8.07	15.25	9
Turkey	TR	South Eastern Europe	Pre-Emerging Market	306.83	3.21	11.89	15.10	10
Sweden	SE	Northern Europe	Emerging Market	302.03	5.42	9.44	14.86	11
Austria	AT	Central Europe	Developed Market	258.45	5.99	6.73	12.72	12
Poland	PL	Eastern Europe	Emerging Market	255.99	4.60	8.00	12.59	13
Norway	NO	Northern Europe	Emerging Market	249.53	4.48	7.80	12.28	14
Denmark	DK	Northern Europe	Developed Market	218.46	5.06	5.69	10.75	15
Greece	GR	Southern Europe	Pre-Emerging Market	190.17	1.99	7.37	9.36	16
Ireland	IE	Northern Europe	Developed Market	170.42	3.95	4.44	8.38	17
Finland	FI	Northern Europe	Emerging Market	163.11	2.93	5.10	8.02	18
Portugal	PT	Southern Europe	Emerging Market	154.78	2.78	4.84	7.62	19
Czech Republic	CZ	Eastern Europe	Emerging Market	104.69	1.88	3.27	5.15	20
Hungary	HU	Eastern Europe	Emerging Market	93.19	1.67	2.91	4.59	21
Rumania	RO	South Eastern Europe	Pre-Emerging Market	83.47	0.87	3.23	4.11	22
Ukraine	UA	Eastern Europe	Pre-Emerging Market	72.73	0.76	2.82	3.58	23
Slovakia	SK	Eastern Europe	Emerging Market	40.04	0.72	1.25	1.97	24
Croatia	HR	South Eastern Europe	Pre-Emerging Market	32.84	0.34	1.27	1.62	25
Luxemburg	LU	Western Europe	Developed Market	30.79	0.71	0.80	1.52	26
Slovenia	SI	Eastern Europe	Emerging Market	29.01	0.52	0.91	1.43	27
Belarus	BY	Eastern Europe	Pre-Emerging Market	24.97	0.26	0.97	1.23	28
Bulgaria	BG	South Eastern Europe	Emerging Market	22.96	0.41	0.72	1.13	29
Lithuania	LT	Eastern Europe	Pre-Emerging Market	21.66	0.23	0.84	1.07	30
Serbia	RS	South Eastern Europe	Pre-Emerging Market	20.40	0.21	0.79	1.00	31
Latvia	LV	Eastern Europe	Pre-Emerging Market	13.55	0.14	0.52	0.67	32
Iceland	IS	Northern Europe	Emerging Market	13.35	0.24	0.42	0.66	33
Cyprus	CY	Southern Europe	Pre-Emerging Market	13.02	0.14	0.50	0.64	34
Estonia	EE	Eastern Europe	Pre-Emerging Market	11.61	0.12	0.45	0.57	35
Bosnia & Herzegovina	BA	South Eastern Europe	Pre-Emerging Market	8.38	0.09	0.32	0.41	36
Albania	AL	South Eastern Europe	Pre-Emerging Market	7.08	0.07	0.27	0.35	37
Macedonia	MK	South Eastern Europe	Pre-Emerging Market	4.87	0.05	0.19	0.24	38
Malta	MT	Southern Europe	Pre-Emerging Market	4.70	0.05	0.18	0.23	39
Moldova. Republic of Moldova	MD	Eastern Europe	Pre-Emerging Market	2.52	0.03	0.10	0.12	40
Montenegro	Unit	South Eastern Europe	Pre-Emerging Market	1.77	0.03	0.07	0.09	41
Europe TOP 5: Total					**232.48**	**190.27**	**422.75**	**S**
Europe total (n=41)					**323.93**	**331.19**	**655.13**	**S**

Source: European FM insight issue 11-September 2009 page 6

A professional association in the Netherlands called Facility Management Nederland (FMN) and a consultant firm jointly publish the statistics of the market of FM in the Netherlands biennially. According to such a market report of 2010, the FM market in the Netherlands was worth €33.6 billion in 2009 but the market has declined as compared to 2007 (€35.5 billion) and apparently, as per said report, the financial crisis had an impact on the market. However, the outsourcing percentage and index have grown over the last decade. Table 3 shows an overview of the FM market in the Netherlands from 2000 till 2009:

Table 3. FM Market Size in the Netherlands over the last 10 years

Total Market Share	2009	2007	2005	2003	2000
Market share (x €1,000,000)	€33,623	€35,489	€33,372	€34,625	€34,074
Market shared outsourced (x €1,000,000)	€21,018	€21,546	€19,726	€20,140	€19,408
Outsourcing percentage	63%	61%	59%	58%	57%
Number of employees outsourced	314,684	300,796	287,085	303,653	313,878
Number of suppliers	25,666	24,176	23,164	22,506	22,452
Market growth index total market share	99	104	98	102	100
Market growth index outsourced market	108	111	102	104	100

Source: De Nederlandse Facility Management Markt 2010

2.5   Developments in the governance of FM

The history of FM in the Netherlands is very old, but the focus of this research is specifically on the changes and developments surrounding the emergence and development of *integrated facility management* (IFM) as a concept. IFM seems to have emerged in the field of FM in the Netherlands during the last 10 years or so. The developments could be studied in different ways. In this study, the focus is on the developments related to different ways of organizing and controlling facilities services. To be more precise, the focus is on developments in the

governance and management control of facilities services. The term governance was discussed in detail in chapter 1. For the purpose of elaborating the presence of different forms of governance and control in the field of FM in the Netherlands, we draw upon Vosselman (2002). He (ibid) discusses different management control archetypes available to a Dutch company in 1994. For the purpose of our investigation we summarize the options for executing and controlling FM as follows:

a- Some facilities services are executed and controlled by a centralized department and many facilities services are executed and controlled locally by several business units. (It is in-house-FM without tight centralized control of FM. Without tight control means the planning and control of FM is not the responsibility of one department).

b- All facilities services are executed and controlled in a central staff unit that may take the form of a cost center (an expense center). Some of the services may be outsourced by the department. This staff department is called a facility management organization. Management of such a department has the responsibility to plan and control the space and other facilities services. This is similar to a tight fit FM organization in which there is one central department close to the board of directors and the main objective is to cut facility costs by standardizing (Becker 1990).

c- Shared service centers in different forms (internal to the organization or external to the organization)

d- Facilities services organized and managed by each business unit separately (either in-house or outsourced) and there is no central department. This may also be called a loose fit FM organization (Becker 1990).

The management control of FM within the boundaries of an organization is related to developments in institutions of governance at field level, i.e. the field of FM. During the past 10 years or so, there has been a development towards the institution of IFM, integrated facilities management. For analyzing the change in governance and management control we distinguish between a pre-IFM phase and an IFM-phase:

Pre-IFM Phase: characterized by either the presence of a facility management organization (cost centre), a shared service centre (internal / external); and single or multi-services outsourcing described above as a, b, c and d.

IFM Phase: characterized by the emergence and development of IFM during the last 10 years or so wherein the execution as well as the management of facilities services has been transferred to a single service provider. The terms 'main contracting' or 'total facility management' are also often used to refer to IFM. In IFM, all the operational and tactical tasks and even some strategic tasks of FM are outsourced to a single service provider. Figure 2 below explains different models of FM, including IFM, in terms of three different levels of management within an organization:

Figure 2. Different FM Solutions / Models[4]

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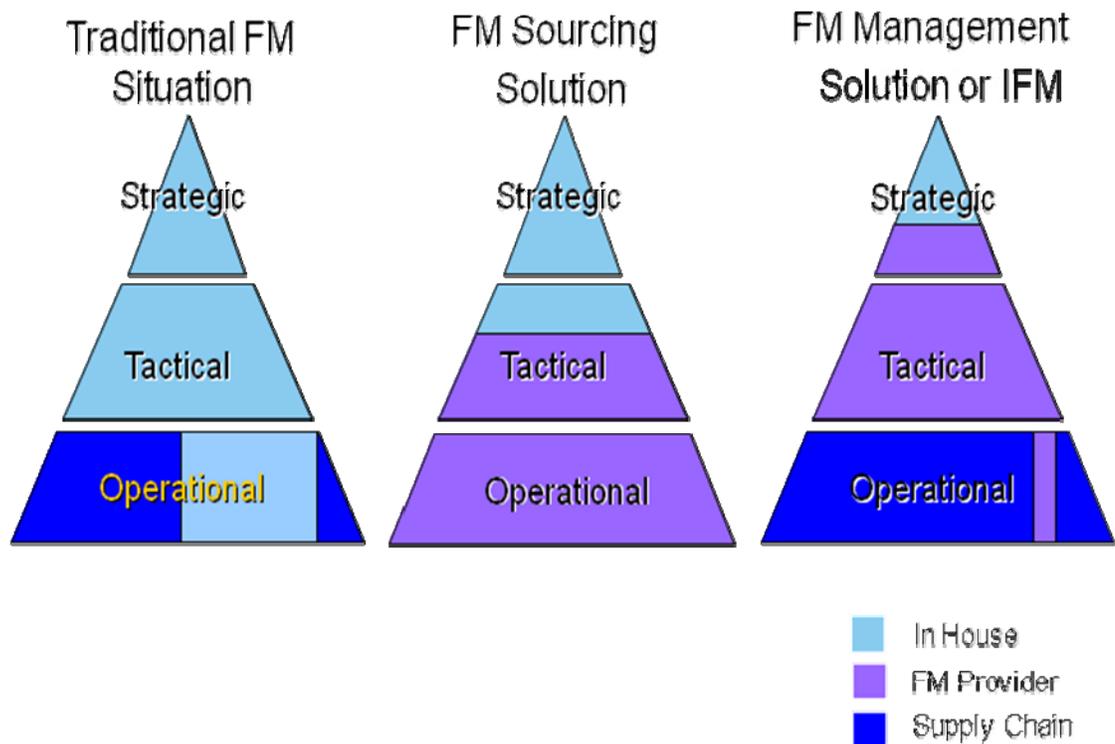
[4] The diagram has been taken from the presentation of a facilities manager

The above figure explains the developments from traditional FM to the IFM. In traditional FM only a part of operations is outsourced (blue color) and some operations, tactical and strategic management remain in-house. The second pyramid shows a development where all operations and tactical management is handled by a service provider. In a way, the first two pyramids represent a pre-IFM phase of development in the field of FM in the Netherlands. The third pyramid depicts the IFM wherein only one FM service provider takes over the tactical and some of the strategic task related to FM. The service provider may also outsource the operations to other suppliers and manage those suppliers. It is worth noting that even today different organizations in the field of facility services in the Netherlands have different types of governance and control (both pre IFM and IFM). It will be shown in the thesis that the specific circumstances of the organizations influence the choice of the governance type. For instance big organizations prefer to have IFM governance arrangement.

2.5.1. IFM market trends during the last decade

The FM outsourcing market in the Netherlands has seen an enormous growth during the last decade. Regarding IFM the statistics are shown by the following table 4, extracted from the Netherlands FM Market Report 2010.

Table 4. **IFM Market Statistics 2000-2009**

Integrated Facility Management	2009	2007	2005	2003	2000
Market share (x €1,000,000)	€4,382	€4,629	€4,353	€4,516	€4,444
Market shared outsourced (x €1,000,000)	€104	€51	€35	€26	€17
Outsourcing percentage	2.4%	1.1%	0.7%	0.5%	0.3%
Number of employees outsourced	1,484	1,000	700	420	290
Number of suppliers	16	20	15	11	6
Share of top three suppliers	62%	67%	48%	73%	65%
Market growth index total market share	99	104	98	102	100
Market growth index outsourcing market	614	302	206	153	100

Source: De Nederlandse Facility Management Markt 2010

(Note: market share is based on estimated management fee of facilities. In the calculation of outsourcing market the amount charged by the integrated facility management providers includes only the fees for management. The income from the operational facilities services is not included in the (outsourced) market share.)

The market share of IFM has declined by 5% in 2009 when compared with 2007. This appears to be due to the financial crises. However, there is an enormous growth in the outsourcing percentage and index. Overall the outsourcing index is six times higher in 2009 as compared to 2000. De Nederlandse Facility Management Markt Report 2010 describes that the development towards a demand facility organization has been one of the five major trends since 2007 (Gijsbers, Van der Kluit, and Spijker 2010, p.102). The demand facility organization (a part of the outsourcing organization) is connected to an organization format in which most operational tasks are performed and managed by external providers and only a few tasks are managed internally (Gijsbers, Van der Kluit, and Spijker 2010). The next step could be the outsourcing of all operational tasks and may be even more tactical tasks to a single facility service provider, which is called IFM. According to the report, 65% of the facility managers indicate that they view the demand facility organization as an intermediary step towards IFM (Gijsbers and Van der Kluit 2008; Gijsbers, Van der Kluit, and Spijker 2010). The tactical tasks could include the management of the services provided by the suppliers of facilities services. These survey results indicate that most organizations and facility managers are still at the stage of a demand facility organization and IFM is yet to develop in the future. In this regard, the service providers are more optimistic than facility managers About 76% (78% in 2008) of the service providers expect that facility managers will have more IFM while only 42% (50% in 2008) of the facility managers think so (Gijsbers, Van der Kluit, and Spijker 2010). The report also reveals that 61% of the facility managers have to reduce cost in 2010 with an average cost reduction target of 10.5%, and 77% of the facility managers select facility service providers based on price. It appears that most of the decisions regarding the service providers are driven by cost reduction pressures. If IFM can help in getting cost reductions then this IFM might be growing fast in the next 3 years. Moreover, 74% of the facility mangers indicate that in three years they will be organized as a demand facility organization. So, the service providers have an opportunity to convince the facility managers and win the contracts of IFM if they could save costs and could create trusting examples before facility managers. The Netherlands FM Market Report 2010 concludes (p. 49) that the market does not yet recognize the growth line towards IFM and that IFM is also not an automatic next step after the demand facility organization. This conclusion is based on a survey question that asks facility managers if demand facility management is the

intermediate step towards full outsourcing or IFM. Only 19% people replied positive to this question. But the same report (p. 100) reveals that 65% of the facility managers indicate that they view the demand facility organization as an intermediary step towards IFM. The contradictory results in this report warrant further attention. Further, the market sizes of IFM for the years 2000, 2003, 2005 and 2007 reported in the 2008 market report (page 125) differ from those reported in the 2010 market report (page 129). No explanation as to such a difference was found in the 2010 market report. Moss (2008) has already expressed concern about the market reports of the UK facilities management industry. It was found that surprisingly none of the current reports uses a robust market research methodology and this casts doubt on the estimated size of the market and other findings (Moss 2008).

Some big organizations have already adopted IFM. The biggest companies having an IFM contract in 2009 and the beginning of 2010 are KPN, Centocour, Vopak and Nederlandse Spoorwegen (NS) and the biggest service providers of IFM in 2010 are Arcadis Aqumen, Sodexo Altys and ISS facility services.

The following figure[5](3) shows the IFM at different stages in different countries and the number of Dutch organizations that have already adopted IFM. The picture also gives an overview of the suppliers in Europe.

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[5] Presentation at EruoFM 21-01-2010 by a consultant

Figure 3. IFM in the Netherlands and in the Europe

IFM in different countries at different stages

Significant 2010

United Kingdom
Germany
Netherlands
France

development   grow   maturity   saturation
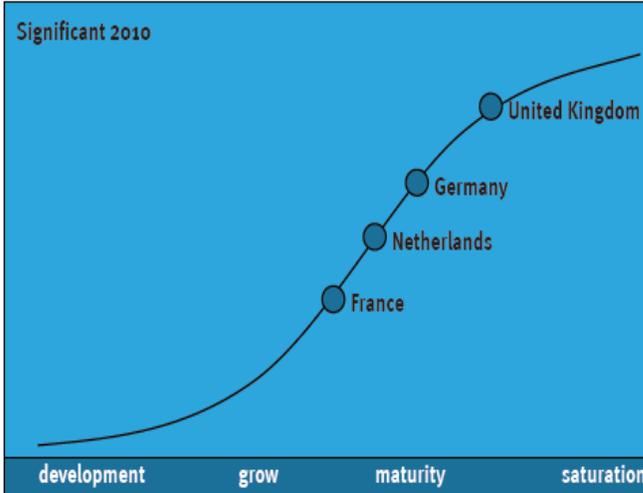
Overview of suppliers in Europe

Actys	ISS
Aramark	JCI
Arcadis Aqumen *(Carillion)*	JLW
Axima *(Suez)*	MITIE
Cegelec	Prisma *(Vebego)*
Compass *(Eurest)*	Serco Group
Dalkia *(EDF/Veolia)*	Sodexho
Elior *(Avenance)*	Stork
Elyo *(Suez)*	Taylor Woodrow
Facilicom	TramellCrow
Getronics	

Dutch organisations that have adopted IFM

ABB	Daf Trucks	NS Poort
Akzo Nobel	Deloitte	Philips
Albert Heijn Zaandam	Delta LLoyd	Philip Morris
American Express	De Telegraaf	ROC Nijmegen
Astrellas	Detentiecentrum R'dam	Sabic
Astra Zeneca	DSM	Sanofi Aventis
Atos Origin	EDS Nederland	SDU
AVR	Enexis	Shell
Belastingdienst Doetinchem	Essent	Strukton
BHP Billiton	IBM	Uni-Invest
BPF Bouwinvest	IBG Groningen	Van Lanschot
Canon	Intel	Vopak
Cisco	Kantoren Fonds Nederland	WTC A'dam
Connexxion	KLM	Zwanenburg Food Group
CSC	Martinair	3M

Note: overview is indicative, not limitative

2.6   Chapter Summary

This chapter explained the scope and focus of this research in terms of the nature of facilities services under investigation. The building and office related facilities services are the focus of this thesis. Different definitions of FM were discussed. FM proves to be about the integration of processes that support and improve the effectiveness and efficiency of the primary operations of an organization. The European definition of FM proves to be broader than US definitions.

The chapter also highlighted different governance and management control choices available to the organizations in the field of facilities services in the Netherlands. As will be shown later in this thesis, these different governance forms emerged over time. The governance of facilities services could take the form of either a facility management organization (cost centre), or a shared service centre (internal / external), or different departments managing their own facilities services. These governance forms were labeled as pre-IFM governance because they existed before the emergence of IFM. Single or multi-services outsourcing was also present in the pre-IFM phase. Then IFM emerged and developed during the last 10 years or so. In IFM both the operations and management of the facilities services are done by a single service provider. The service provider may further outsource the facilities services operations to other suppliers but retains the management of such services. The terms 'main contracting' or 'total facility management' or IFM are often used as synonyms in the field of FM.

The chapter also described the market statistics of FM for the European countries and the Netherlands. The market of FM and outsourcing of FM have grown over the last decade. The FM and IFM market size data of the last nine years pertaining to the Netherlands was extracted from three market reports (called De Nederlandse Facility Management Markt 2006, 2008 and 2010) published by the FMN and Twynstra Gudde (a consultant organization). Some inconsistencies in these reports were found. First, the statistics of market sizes for specific years are not the same in all the reports. For instance, the values of market sizes for 2000, 2003, 2005 and 2007 appearing in the market report of 2008 differ from the amounts of the same years in the market report of 2010. Secondly, the market report of 2010 shows conflicting opinions of the facility managers about the future of IFM in the Netherlands.

The chapter also reveals that only big organizations have embraced the idea of IFM and that other forms of governance are also present in different organizations. The number of organization adopting the IFM has increased over time.

CHAPTER 3: RESEARCH METHODOLOGY AND METHODS

This chapter first discusses some concepts such as methodology, methods and field research. The chapter also differentiates qualitative field research from quantitative field research and describes the reasons for selecting qualitative field research in this thesis. Then the design of the research is explained. The chapter goes on with the process of data collection and analysis. Then some limitations encountered during field research are stated. The chapter ends with a summary.

3.1. Research methodology, methods and field research

Research methodology refers to the choices we make regarding cases to study, methods of data gathering, forms of data analysis, etc., in planning and executing a research study (Silverman 2005; p.99). A method is a specific research technique (such as interviews). The research methodology is the general approach to studying research topics. Methodologies could be broadly classified as qualitative or quantitative. A distinctive feature of qualitative methodology is its assumption about social reality that is assumed to be *"emergent, subjectively created and objectified through human interaction"* (Ahrens and Chapman 2006; Chua 1986, p.615). This is different from positivistic research that makes the ontological assumption that *"empirical reality is objective and external to the subject"* (Chua 1986; p.611). Qualitative methodology stresses the understanding of the social world through an examination of the interpretation of that world by its participants (Bryman 2008).

The methodology adopted in this study is qualitative and, as mentioned in the first chapter, the study is strongly based on field research. This field research has the following characteristics (Ferreira and Merchant 1992; p.4):

1- Direct, in-depth contact with organizational participants, particularly in interviews. These contacts provide a primary source of research data.

2- The study focuses on real tasks or processes, not on a situation artificially created by the researcher.

3- The research design is not totally structured. It evolves along with the field observations.

4- The presentations of data include relatively rich (detailed) descriptions of company contexts and practices.

5- The resulting publication is meant for the academic community but some of the field research literature is also easily read and used by practitioners.

In other words, "qualitative field studies collect data in the domain 'field' and employ 'qualitative' methodology" (Ahrens and Chapman 2006; p.821).

3.2.   The reasons for the research design

The field research methodology was chosen for a number of reasons. Firstly, in a general sense in the scientific discipline of accounting and control there have been calls for more empirical studies that adopt a qualitative research methodology (cf. Ahrens and Chapman, 2006). Governance and management control happen in the field (Chapman 2007) and there have been calls for joining the fascinating organizational world (Cooper 2004). Secondly, the 'why' and 'how' nature of the research questions (Yin 2003) and the focus on the processes in the real life context made qualitative field research an appropriate research methodology (Silverman 2005). Thirdly, the adoption of qualitative field research was important because of its emphasis on the description and understanding of processes, in particular the meanings individuals give to processes in the real life organizational settings (Cooper and Morgan 2008; Gephart 2004).

The aim is to contribute to theory by positioning data against the theories through an ongoing reflection on data (Ahrens and Chapman 2006) while at the same time retaining the context specific information (authenticity) in drawing plausible conclusions (Lukka and Modell 2010). Theory is both an input for understanding practice and an outcome. The researcher is part of the process of knowledge production and uses existing knowledge as well as field data to draw plausible conclusions. To a researcher the task is not simply to describe something as given but to analyze it in a specific context. Thus, the field study is not simply empirical but a profoundly theoretical activity which is shaped by the theoretical interests of the researcher (Ahrens and Chapman 2006).

Figure 4 below depicts the research design and methodology of this study. As it can be seen the research objective is to understand and reflect on the governance (IFM) and management control at two different levels, i.e. the field level and the interfirm level. For the purpose of reflection the study draws upon two different theoretical perspectives. For the field level research, the state of the art in institutional theory in sociology (ITS) and accounting research is utilized. After reviewing relevant parts of ITS-informed research into governance and control, a theoretical framework for the institutionalization of new forms of governance is developed. For the purpose of the interfirm analysis the study draws on governance and control theory, particularly as discussed in accounting literature. For the interfirm level research, a longitudinal case study was conducted. The insights and contributions gained from this research contribute to both streams of the literature.

Figure 4. Research Methodology:
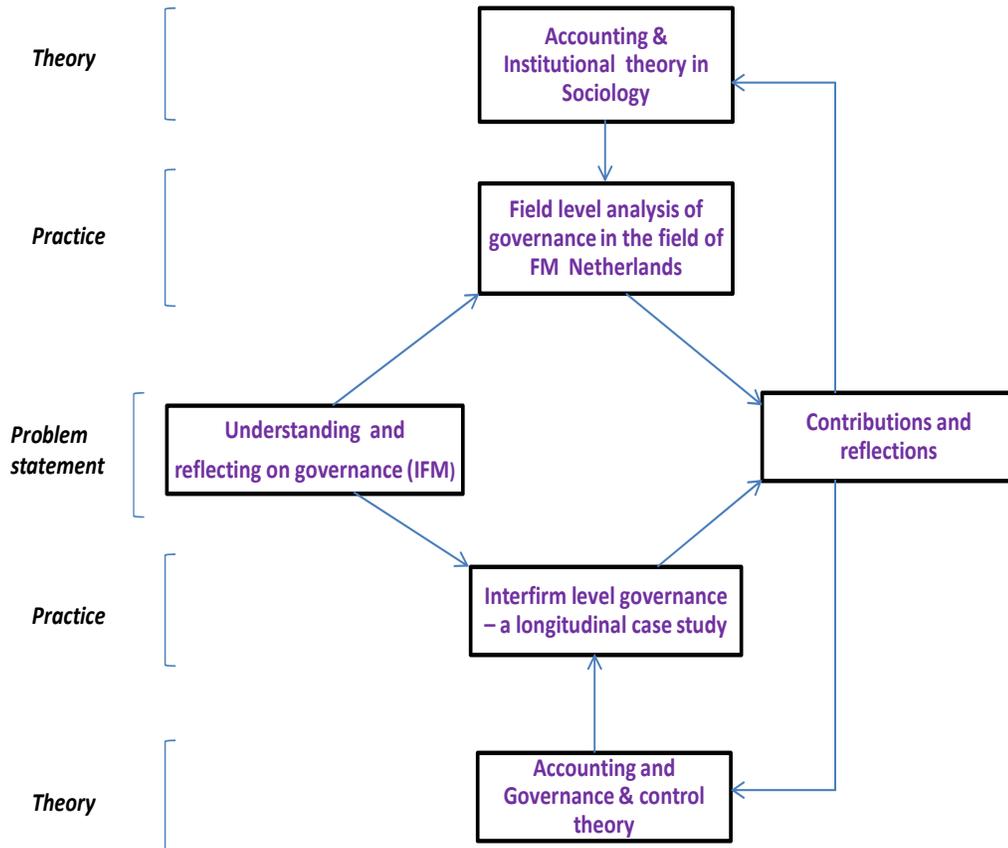
The data was collected through semi-structured interviews. Interview questions were developed from extant theoretical knowledge. Documents in different forms such as service level agreements, road maps, quarterly reports (performance reports), industry reports by professional associations and consultants, annual reports, presentations by managers and consultants, etc. were also an important source of data.

3.3. The development of the research process

This sub-section describes the process of data collection and analysis.

3.3.1 Data Collection at the level of an interfirm relationship

This research project is about governance change at two different levels i.e. interfirm level and field level. In case of the interfirm relationship, the data collection started with a first meeting with a Real Estate and Facility Manager (RE & FM) of an organization that outsourced the management of its facilities services to a service provider. In this thesis, this organization (a renowned multinational company) is called Client Firm (CF) and the service provider is called the Management Firm (MF) because it manages facilities services on behalf of the CF. Hence, there is an interfirm relationship between CF and MF. The first meeting with the manager took place at the university in June 2008. After that meeting a formal letter, containing the research topics and questions, the nature of the interviews and assurance of confidentiality, was sent to the interviewees.

The data collection pertaining to this interfirm relationship further included general meetings, interviews and documents. The following table (5) gives an overview of the general meetings we had with the CF:

Table 5: *General meetings with CF*

#	Date	Interviewee codes	Position/ Designation	Description of meeting	Duration (minutes)
1	June 2008	DvT	RE&FM manager	First informal talk about possibilities of case study (location: University)	60 (not recorded)
		EV	Researcher		
		RM	Researcher		
		KH	Researcher		
2	Sept. 2008	DvT	RE&FM manager	Talk at CF about their FM organization and planning interviews	70 (not recorded)
		FV	Purchase Manager		
		EV	Researcher		
		RM	Researcher		
3	Dec. 2008	DvT	RE&FM manager	Introductory research meeting and discussion about development of the management of facility services at CF.	75
		EV	Researcher		
		PvVD	Researcher		
		RM	Researcher		
		KH	Researcher		
		RvC	Masters student		
4	Sept. 2009	DvT	RE&FM manager	Presentation and discussion of the results of first round of interviews.	117
		FV	Purchase Manager		
		EV	Researcher		
		PvVD	Researcher		
		RM	Researcher		
		KH	Researcher		
		RvC	Masters student		

As can be concluded form the table, the case study was conducted by a group of three researchers: KH (the author of this thesis), RM and EV. Two PhD-research projects are related to this case study, one executed by RM and one by the author of this thesis. EV acted as supervisor and took part in the interviews occasionally. First, three general introductory meetings were part of the process to get access. Two out of these first three general meetings were not recorded. A fourth general meeting was organized to discuss the results of the first round of interviews. The manager RE & FM and the manager Purchasing participated in that meeting along with a group of 5 researchers (the three mentioned above, another associate professor and a masters student). It was interesting and useful to listen to the feedback of the practitioners and the information from these

discussions also became part of our further analysis. It helped us to revisit the data representativeness and to re-assess the plausibility of the conclusions (Yin 2003).

The interviews were conducted in two rounds. The first round of interviews started with the sending of a brief description of the research to the CF, particularly to the potential interviewees. This document introduced the researchers, research aims and research method (semi-structured interview). It furthermore assured confidentiality and suggested topics for discussions. The appendix A contains this brief description of the research. The questions posed during the interviews were based on extant theory and literature on interfirm management control and trust as well as on institutional theory in sociology (ITS). The focus of the research was on the processual implications of governance, management control, trust and accounting information. In addition, the context within which the interfirm relationship developed was given a careful consideration. A major source of the data was the semi-structured interviews with questions based on extant theory. But sometimes, new questions relevant to the broad research questions and topic emerged during the interviews and such discussions and interactions were useful during the analysis. Thus, the case study provided us with flexibility and it was an iterative investigation. The interaction between the researchers and the interviewees was weakly structured in order to allow better communication of the field insights. The interviews were conducted at CF, MF and two supplier firms. The duration of the interviews was between 1 and 1 ½ hours. In total 19 semi-structured interviews were conducted in two rounds, along with 4 general meetings (as detailed in the table 5) from June 2008 till November 2010. 13 interviews were conducted with the managers of CF at different hierarchical levels and in different departments such as facilities management, purchasing, finance & accounting and manufacturing. Out of the remaining 6 interviews, 4 were with the managers at MF and 2 with the managers of two different suppliers of the facilities services. In the first round 11 interviews and 3 general meetings took place and in the second round 1 general meeting and 8 interviews were held. Table 6 gives the interviews conducted at CF, table 7 gives the interviews conducted at the MF and table 8 provides information about interviews with the supplier firms.

Table 6: *Interviews at Client Firm (CF)*

#	Date	Interviewee codes	Position/Designation	Duration (minutes)
First Round of Interviews				
1	March 2009	DvT	RE&FM manager	134
2	March 2009	BT	Manager FM-Fabs	67
3	March 2009	FV	Purchase Manager	98
4	March 2009	PM	Manager FM	59
5	April 2009	FR	Managing director (Senior VP)	63
6	April 2009	NW	Finance manager	16
7	April 2009	HvD	Finance manager	90
		NW	Finance manager	
8	April 2009	FvZ	RE&FM manager	74
9	April 2009	JE	Site Purchasing Manager	92
10	April 2009	JP	Facility manager	111
Second Round of Interviews				
11	June 2010	FV	Purchase Manager	61
12	Sept. 2010	FvZ	RE&FM manager	52
13	Oct. 2010	RW	Managing director (Senior VP)	67
		FvZ	RE&FM manager	

Table 7: *Interviews at Management Firm (MF)*

#	Date	Interviewee code	Position/Designation	Duration (minutes)
First Round of Interviews				
1	April 2009	ES	Account director	97
Second Round of Interviews				
2	July 2010	NF	Account director	63
3	July 2010	CPR	Senior facility manager	26
4	July 2010	NA	Facility/ contract manager	58

Table 8: *Interviews with Suppliers*

#	Date	Interviewee codes	Position/Designation	Duration (minutes)
1	Oct. 2010	OA	Manager maintenance	97
2	Nov. 2010	RvW	District manager	96
		FK	District manager	

Along the way, documents were studied. The documents included service level agreements (SLAs), roadmap documents (monthly meeting documents), quarterly reports, organization charts and power point presentations.

3.3.2. *Data collection at field level*

Apart from governance issues at the level of an (inter)organizational relationship this thesis also investigated the governance at the level of the field of FM in the Netherlands. For the purpose of getting access to potential interviewees the association manager of a professional association in the field of FM, called Facility Management Nederland (FMN), was contacted in October 2009. In order to introduce the research aims, the research process and potential interviewees a meeting was planned with her at the annual general meeting of FMN, A written description of the research (see appendix B) was also sent. This description outlined the aims of the research, the research topics and the questions for interviews. The plan was to arrange interviews with account managers of major service providers, FM managers of the client organizations of each of the service providers, consultants in the field of facilities management and representatives of professional associations in the field of FM in the Netherlands. The association manager of FMN sent the research description to the potential interviewees. But interviewees also had to be contacted through individual emails, arranging interviews with them. The sample letter (email) is shown in the appendix C. All the interviews were recorded on an MP3 player and were subsequently fully transcribed. A commitment to confidentiality was conveyed in the research description document, the emails and during the interview. In total 14 interviews were conducted. The interviewees were managers at 3 different service providers, 3 consultants, 6 facilities managers in different big organizations, 1 representative of FMN and 1 academic. The following table (9) summarizes the field level interview data collection:

Table 9: *Interviews with different actors in the field of facilities services*

#	Date	Interviewee codes	Position	Duration (minutes)
1	February 2010	LL	Consultant	103 (not recorded)
2	February 2010	JB	Facility manager	97
3	February 2010	DvW	Academic	90
4	February 2010	RL	Consultant	88
5	February 2010	RV	Service Provider	59
6	February 2010	PK	FMN	47
7	February 2010	JF & MvL	Facility manager/ Client Organization	68
8	March 2010	GM	Consultant	75
9	March 2010	DK	Service Provider	83
10	April 2010	LvL	Facility manager / Client Organization	81
11	April 2010	IL	Facility manager	89
12	April 2010	VvH	Facility manager / Client Organization	84
13	April 2010	DvV	Facility manager / Client Organization	72
14	April 2010	UG	Service Provider	81

Documents in different forms were the second source of data collected. In case of the field level research, the documents included the FM market reports in the Netherlands for the year 2006, 2008 & 2010, IFM Market report 2009, academic literature in FM relating to the Netherlands, etcetera. (See appendix D for the complete listing of field documents). Furthermore the websites of different organizations, (professional associations, consultants and service providers) such as Facility Management Nederland (FMN), European Facility Management Network (EuroFM), the International Facility Management Association (IFMA), Facility Management Excellence and Experience (F-MEX) and Twynstra Gudde, were browsed and data was used for the description and analysis.

3.3.3 Data Analysis

For the collection of data at the interfirm level the interviews were conducted by at least two researchers. After each interview thoughts, impressions and opinions about the interview were exchanged between the researchers. This exchange of ideas between the

researchers was also recorded and transcribed. However, the interviews for the research at the field level of FM were conducted by only one researcher, so no records about the discussion of interviews exists. The thoughts and ideas from each interview were an input to the future interviews.

All the interviews, pertaining to the field level research, were transcribed by the author of this thesis. Self-transcription was very useful in creating intimacy with the data and doing the analysis. Different researchers transcribed the interviews pertaining to interfirm level research. The transcription of some of the interviews was outsourced to an external transcription service. But interview transcripts were carefully scrutinized for any errors that might have arisen during external transcription. The transcription of interviews was followed by a coding process which enables the recognizing of important issues in the transcript prior to the process of interpretation (Fereday and Muir-Cochrane 2006).

There were both deductive codes (derived from the theoretical frameworks) and inductive codes (themes emerging from the participant's discussions) (Fereday and Muir-Cochrane 2006). The interviews done for interfirm level research also had some questions about the field level research and vice versa. The same holds for the deductive codes in both interfirm and field level interview transcripts. The list of codes for interfirm governance (interfirm level research) and field level governance (field level research) can be seen in the appendix E and F respectively.

The transcripts were coded and analysed by using the qualitative data analysis software ATLAS.ti. By coding all the material, the software allowed us to manage and organize data that helped in the understanding and analysis of the data. The analysis of the transcribed interviews was done in three sub-processes, that is, data reduction, data display and conclusion drawing / verification (Miles and Huberman 1994b; O'Dwyer 2004). The careful reading and subsequent coding of all the transcripts gave way to the identification of key themes related to the issues of governance at both interfirm and field level. Then code-wise prints of all the transcripts were taken and read more than two times. During the careful reading themes, comments and memos were identified and

written by hand on the printed codes and quotations. Then, an extensive comparison of themes across interviewees was done (Miles and Huberman 1994b).

The field documents were not coded because of time constraints. Nevertheless, all the relevant documents were read (and themes /ideas were written manually) in order to identify contradictions or inconsistencies (or confirmation) with the interview themes. An effort was made to triangulate the documents and interview transcripts. For instance, the review of quarterly reports gave us the description of the performance and the status of the interfirm relationship and this was compared with the views expressed by different managers. The documents were also helpful in making tables, diagrams and extracting contextual information. After the reading of transcripts and emergence of different themes, a thick description of the findings was prepared. This process of thick written description involved an in-depth analysis characterised by an iterative back-and-forth movement between data and theory. Most important was to understand what the data meant in a theoretical sense. The credibility of research was enhanced through the use of quotes so that interviewees' voices are heard (O'Dwyer 2004).

In the case of interfirm governance, the findings of the first round of interviews were presented at a formal meeting (fourth general meeting) at the CF. In this meeting one of the researchers presented her master's thesis results. She was involved in conducting and transcribing a few interviews. Other participants were 4 researchers, manager RE & FM and manager purchasing. This meeting helped in eliciting the feedback from the practitioners. The overall response of practitioners in this meeting was positive and encouraging which suggests ongoing dependability of the research process and the credibility of the case findings. However, there were a few interesting and critical remarks by the participants. These remarks provided an input for the second round of the interviews. The analysis of the first round of interviews also facilitated the identification of the gaps in that round.

The conclusions drawn from the first round of interviews were reinvestigated during the analysis of the second round in order to find rival explanations and to substantiate the

theoretical claims made. The field level interviews were conducted in only one round and no formal presentation of findings was made due to time constraints. Nevertheless, the historical analysis of field documents and academic research in FM, pertaining to the last two decades, particularly relating to the Netherlands, helped in understanding the development of governance in the field. The theoretical findings of both levels of research are the results of repeated drafting and analysis and continual referrals to theory and data. Frequent discussions of the results with co-researchers were also an important part of the analysis. Such meetings were formal as well as informal. These informal meetings, lengthy argumentations and reviews among research colleagues developed an intersubjective consensus (Miles and Huberman 1994a) and were important elements that resulted in refinements of the results of this study.

Another important point to mention is the writing of the research findings in the form of working papers, which were presented at different international conferences including RACC (Research Centre for Accounting & Control Change) conferences. This process of writing working papers, conference presentations and review reports provided a critical input to the analysis and led to the revisit of data and theory. In other words, this process proved to be important in enhancing clarity and rigor of the research.

3.4. Limitations

One limitation is that the interview transcripts were not sent to the interviewees for a review and their feedback or remarks. The respondent validation could have enhanced the credibility of the interview data. This feedback is also good to create a good rapport with the interviewees that might be helpful for further contacts. This was not possible due to time constraints.

In case of the field level research, analysis and conclusions could have been more rigorous by doing a longitudinal research. One of the major reasons why a longitudinal study was not achievable is the lack of time; a lot of time had to be spent in getting access to the organizations. However, the field documents and international academic research in FM spanning over the last two decades were collected and analyzed to overcome this

shortcoming. Some of the documents were in the Dutch language and the researcher tried to understand them as much as possible with his own basic knowledge of the language and with the help of native Dutch speakers (colleagues and friends). Still more documents could have been collected and analyzed had they been in the English language.

3.5.   Chapter Summary

This chapter focused on the research methodology and methods. The chapter started with an introduction to qualitative field research with its underlying assumption on the social construction of reality. Then in the second section the reasons for using qualitative field research methodology were explained. In the third section, it was explained how the research developed including a detailed description of how data was collected and analyzed. Finally, the chapter ended with a short description of the limitations of the methodology.

This thesis investigates the change in governance and related change in management control at two different levels i.e. field level and interorganizational level. The following chapter develops a theoretical framework for understanding the governance change at the level of the field of FM.

CHAPTER 4: GOVERNANCE, MANAGEMENT CONTROL AND INSTITUTIONAL THEORY IN SOCIOLOGY (ITS)[6]

4.1   Introduction

The aim of this chapter is to review the extant literature on ITS and to construct a theoretical framework for understanding governance at the level of field. In other words, the aim of this chapter is to develop a theoretical framework for understanding the process of social construction and institutionalization of 'new' governance and management control[7] constructs by drawing upon accounting literature based on the institutional theory in sociology (ITS) and new directions in ITS.

The chapter is organized as follows. First, a brief review of different streams of institutional theories is provided and it is explained why ITS is relevant to this research. The chapter continues with the latest insights in ITS. Then a theoretical framework is constructed. After that the limitations of the framework are discussed. The chapter ends with a summary.

4.2   Institutional theories

There is not one institutional theory. There are several branches. Extant research in accounting and control change has drawn upon different branches. Two important branches are important: New Institutional Economics (NIE) and Institutional Theory in Sociology (ITS).

There are two distinct branches of institutional theory that offer different explanations for observed control structures. Institutional economics, particularly TCE (Coase 1937; Williamson 1979; Williamson 1985; Williamson 2002) offers explanations in terms of efficiency, which means that actors (organizations) are driven by efficiency maximizing behavior. Adoption of a new organizational construct takes place because the

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[6] Here ITS includes both New Institutional Sociology and Old Institutional Sociology. As suggested by institutional scholars, (e.g; Hirsch & Lounsbury 1997) the dichotomy between the old and the new institutional theory is false and misleading one. The new institutional theory is more structure-oriented while old institutional theory is action-oriented. The reconciliation of the two theoretical currents provides a more balanced approach to action-structure duality (Hirsch & Lounsbury, 1997).

[7] The difference between governance and management control was explained in the first chapter.

organizations want to attain efficiency. ITS, though not exclusively, offers explanations in terms of legitimacy.

ITS suggests that organizations adopt new institutional designs in order to conform to societal or institutional requirements and, thus, to become legitimate. When many organizations pursue legitimacy in a particular organizational field, a similarity prevails in that organizational field. Such a situation is called isomorphism. As it will be explained in the coming ITS section, isomorphism could be coercive, mimetic or normative. More than one isomorphic pressure may be operating simultaneously and potencies of institutional pressures may change over time as a result of constantly changing endogenous and exogenous factors (Carpenter and Feroz 2001).

4.2.1 NIE

Efficiency as a concept is paramount in NIE, particularly in transaction costs economics (TCE). Origins of TCE stem from Coase's (1937) work on the determinants of the boundaries of the firm and prominent work has been done by Williamson (1979; 1985; 1996; 2000). This theory concerns the governance of transactions; it is oriented towards the governance structure as an institutional framework. TCE aims to answer the question why some transactions take place in firms and others in a market or in a hybrid arrangement. TCE responds to the assumption of zero transaction costs in neoclassical economic models (Hira and Hira 2000). It assumes that markets are efficient governance structures at the outset (Williamson 1975) and the existence of alternative governance arrangements is explained by transaction costs of markets as governance structures (Vosselman and Van der Meer-Kooistra 2006). Critical features of efficient governance include three dimensions of transactions and two behavioral assumptions. The dimensions of transactions are uncertainty, asset specificity and the frequency of transactions. These dimensions influence the transaction costs and, thus, the rationality of the governance structure. The behavioral assumptions are bounded rationality and opportunism. Bounded rationality is less than perfect rationality, as people experience limitations in their knowledge and their information processing capabilities, leading to the impossibility of making optimal decisions (cf. Chaserant 2003b; Simon 1978; Simon

1987). The boundedly rational actors may behave opportunistically: given the opportunity they are occasionally inclined to serve their own interests by using forms of trickery and deceit. In sum, the transaction costs of market transactions are not only caused by bounded rationality related to uncertainty, but also by potential opportunistic behavior of boundedly rational actors. The degree of opportunism is related to asset specificity: the more asset specificity, the higher the risk of opportunistic behaviour. High asset specificity (many transaction specific assets) weakens exit threats and increases interdependence. An individual party may take advantage of the relationship and transfer transaction cost to the other party (Vosselman and Van der Meer-Kooistra 2006).So, as per TCE, it is the nature of transactions and the associated transaction costs that are of prime importance. TCE takes transactions as the primary unit of analysis and argues that transactions would be governed and controlled in a firm or a market or a hybrid between a firm and a market, The choice is depending on the minimization of the sum of production costs and transaction costs. Transaction costs include costs of writing contracts, supervision costs, opportunity costs associated with opportunistic behavior and costs of investment in specific assets (Van der Steen 2006). In other words, from a TCE-perspective, efficiency (reduction of costs) is the driving force behind a change in governance. It assumes that decision makers in organizations consciously opt for a comparatively efficient form. The decision maker shows efficiency-seeking behavior (Vosselman and Van der Meer-Kooistra 2006). Although it is good to have the possibility of efficiency-seeking behaviour in changing governance and management control in mind, TCE is not considered an appropriate theoretical lens for this research project because it underemphasizes the process of change (Mahnke 2001). It does not focus on the processes through which governance structures and management control structures develop, but its focus is on why observed governance structures exist (Vosselman and Van der Meer-Kooistra 2006). In other words, TCE would consider governance forms as already available the field level without shedding any light where those governance forms come from. TCE provides intentional explanations for such structures (Vromen 1995). Thus, TCE may not provide an adequate apparatus for understanding the *processes* of governance and control change. Moreover, the focus of this research project is also on developments at the level of the field of FM. As TCE's unit of analysis is the

transaction(s), its potential contribution would be restricted to the governance and control of the transactional relationship.

4.2.2 ITS

ITS premises that institutions and processes of institutionalization may exist at different levels namely a society, a state, an organizational field, a community, an organization, a group or an individual (Scott 2008a; Suddaby and Greenwood 2009). The institutions are located in carriers such as cultures, social structures and routines (Scott 1995). Cultures are interpretive structures, patterns of meaning and rule systems; social structures are expectations attached to social networks, formal positions and role systems; and routines are the habitualized behaviors, competencies and technologies stored in organizational memories (Scott 1995; Thornton 2002). Institutions are both supra-organizational patterns of activity through which humans conduct their material life in time and space, and symbolic systems through which they categorize that activity and infuse it with a meaning (Friedland and Alford 1991). In our research at the level of the field of FM in the Netherlands, governance is conceptualized as an institution because the deployment of governance entails material social relations or practices as well as communication of meanings. The change in the institution of governance, particularly the emergence and development of IFM in the field of facilities services, is the focus of this research. Each institution is governed by logics, which are a set of material practices and symbolic constructions (Friedland & Alford, 1991). The meanings and practices are co-constitutive of each other (Mohr 2000). The logic constitutes the organizing principles of an institution and is available to organizations and individuals to elaborate (Friedland and Alford 1991). Institutional logics are contradictory and may change over time. Thus a change in institutional logics entails a change in an institution i.e. both new social relationships and new symbolic orders / interpretations of reality. Institutional contradictions may serve as the bases for the most important political conflicts and institutional change. Individuals and organizations may politicize institutional contradictions and transform institutions. Actors who transform institutions are institutional entrepreneurs. This thesis is an attempt to understand and interpret the

change of governance as an institution. It tries to inscribe processes of institutionalization (that are essentially processes of social construction) at the level of the FM-field.

ITS advances the argument that formal organizational structure reflects more than simple technological imperatives (Lawrence and Lorsch 1967; Thompson 1967) and resources dependencies (Pfeffer 1972; Pfeffer and Salancik 1978). This 'more' consists of institutional forces or rationalized myths (Scott 2008a). As cited in Meyer & Rowan (1977, p.341) institutionalized rules are classifications built into society as reciprocated typifications or interpretations (Berger and Luckman 1967) and such rules may be simply taken for granted or may be supported by the public opinion or the force of law (Starbuck 1976).Thus, institutions are 'rules, norms and beliefs that describe reality for the organization, explaining what is and is not, what can be acted upon and what cannot' (Hoffman 1999; p.351). ITS suggests that the organizations incorporate institutional rules in order to conform to societal or institutional requirements (external environment) and, thus, gaining legitimacy, resources, stability and enhanced survival prospects (Meyer and Rowan 1977). Legitimacy is 'a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions' (Suchman 1995; p.574). The legitimacy brings support and acceptability in society. Since many organizations in a specific field or sector try to become legitimate, this results in isomorphism that is the similarity (of any type) in several organizations. Isomorphism may be due to coercive (dependency, legislative requirements or cultural expectations in society), mimetic (copying the successful companies in uncertainty) or normative (pressures from professionalism) mechanisms (DiMaggio and Powell 1983; Powell and DiMaggio 1991). These three types of isomorphism are associated with three pillars of ITS that may constrain behavior, namely, regulative, normative and cognitive pillars. The regulative pillar influences action through coercion and threat of formal sanction, the normative pillar directs action through norms of acceptability, morality and ethics and the cognitive pillar guides action through the different categories and frames by which actors know and interpret their world (Scott 1995). However, more than one isomorphic pressure may be operating simultaneously. The degree of institutional pressures may change over time as a result of constantly

changing endogenous (e.;g key decision maker's norms, values and unconscious conformity to traditions and ideologies, motivation, competence and professionalism at the individual level; and shared belief systems, power and politics at the organizational level) and exogenous factors (e.g; regulatory pressures, public pressures, professional norms and values at the organizational field level) (Carpenter and Feroz 2001).

4.3   Developments in ITS

4.3.1   Bridging institutional economics and institutional sociology

Critics have stated that TCE provides for an under-socialized account (it gives too little emphasis to social relations or embeddedness) whereas ITS provides for an over-socialized perspective (it pays too much attention to social relations or embeddedness) (Granovetter 1985).They argue that the models that combine both institutional perspectives might have the potential to provide more balanced explanations. Some scholars suggest that there is a tendency of early adoptions of organizational constructs to be driven by efficiency rather than legitimacy considerations (DiMaggio and Powell 1983; Tolbert and Zucker 1983). Such an institutional embeddedness of efficiency-seeking behavior is also paramount in a framework designed by (Roberts and Greenwood 1997). They (ibid) incorporate both efficiency and legitimacy aspects in the development of a Constraint Efficiency Framework for organizational design adoption. They (ibid) have connected elements from TCE and ITS and argue that organizations are efficiency seeking under cognitive and institutional constraints, as opposed to efficiency optimizing. Efficiency-seeking behavior is thus institutionally embedded. At least to some extent, organizations are embedded in both relational and institutionalized contexts and have to manage the demands of internal and boundary spanning relations as well as ceremonial demands of highly institutionalized environments (Meyer and Rowan 1977).

Previous studies of management control change emphasize legitimacy along with traditional economic factors as the drivers of change (For instance Abernethy and Chua 1996; Covaleski and Dirsmith 1988; Granlund 2001; Granlund and Lukka 1998; Modell 2001) and relate the diffusion of control innovations to different reasons including efficiency and legitimacy (mimetic isomorphism), or a mix of these factors over a period

of time (Malmi 1999). The institutional and market forces may not be dichotomous but rather complementary (Tsamenyi, Cullen, and Gonzalez 2006).

Latest accounting research (drawing upon ITS) indicates that both efficiency and legitimacy considerations might operate and that they need not be mutually exclusive (Hopper and Major 2007). In other words, legitimacy and efficiency may be intertwined (Hopper and Major 2007). Moreover, the social and institutional may create or construct the economic and actors may draw on efficiency considerations as a means for attaining social legitimacy (Hopper and Major 2007).

ITS scholars also suggest that a decision guided by legitimacy considerations is not irrational (or the mimicry is not without any logic) and isomorphism does not necessarily mean a-rational mimesis (Lounsbury 2008). It is based on institutional rationality (i.e. rationalized myths which refer to broader cultural beliefs and rules that structure cognition and guide decision making in the field (Lounsbury 2008; Meyer and Rowan 1977)), as opposed to individual rationality as it is proclaimed in economics. The dichotomy between efficiency and legitimacy, or between the technical and the institutional, has also been criticized by contemporary institutional scholars. For instance, Lounsbury (2008) argues that the technical considerations (efficiency considerations) are institutionally embedded. The two-stage diffusion model, which says that early adopters are interested in efficiency and later adopters in legitimacy, has also been challenged (ibid). Some scholars argue that efficiency is a social construct and what is perceived to be efficient might also be a product of socially constructed categories and institutionalized assumptions about the world (Dobbin 1994; Suddaby and Greenwood 2009).

4.3.2   The progression of institutional theory

ITS has progressed as a theory over many years since its foundational work in 1977 by Meyer & Rowan. The table 10 below summarizes the progress in ITS as discussed by Scott (2008a):

Table 10[8]. Development in ITS

Topics / Issues	Earlier Conceptions	Progress / Developments
From looser to tighter conceptualization	Stress on the role of habit and history in constraining choice or force of moral pressure and customs in cementing social order. Regulative elements, underpinning rules, have received more attention than cultural-cognitive elements (underpinning beliefs) and normative elements (underpinning norms).	Emphasis on the importance of symbolic systems and mental maps that provide guidelines for the behavior. Growing recognition that regulatory system, though more visible, are superficial and less consequential than normative and cultural elements.
From determinant to interactive arguments	Institutional environments are contexts imposing requirements and / or constraints on organizations which gives an impression of a determinant, top down perspective. The organizations are passive to homogenous requirements.	Homogenization pressures strongest in delimited organization fields. Organizational fields are fragmented or conflicted and wider institutional orders (economy, state, etc.) influence the organizational field with competing institutional logics offering competing interpretations and solutions to the problems in a given situation and ultimately bring institutional change. Attention should be deflected from the analysis of extant institutions to the processes of institutionalization which is the product of political efforts of the actors with varying powers that influence the form of new institutions. Organizations can show a variety of strategic responses to the institutional pressures.
From superficial to consequential change	Organizations exhibit ceremonial conformity to the institutional pressures and actual practices are decoupled from the structural changes.	Changes in formal rules and structures might seem superficial but they become more significant over time. There could be varying degrees of decoupling of structure and action. The structural changes may bring substantive changes or may shape the roles and identities in subtle ways.
From assertions to evidence	Institutional effects were often asserted without measures that support them. Explanatory measures such as legitimacy were unmeasured or only indirectly inferred.	Appropriate and imaginative measures developed to capture changes in the rules, norms and belief systems. The indicators employed include amount & content of media, types of training programs, types of social logics, registration, certification, accreditation, types of regulatory legislation, lawsuits filed, etc.
From Organization-centric to field level approaches	Early sociological work using institutional arguments was about case studies of single organizations. Too much focus on relational and structural features of fields.	Focus not on the organizations in environments (organization fields) but on organization of the environment, with attention to organizations as the major players. More attention to symbolic or cultural elements of fields and co-production of relational systems and meanings as constituent elements. Field may also form around issues rather than common products or markets.
From non-rational formulations to rationality within institutional frameworks	Conflict implied between institutional requirements and efficient performance making institutional theory socially legitimate and relevant to inefficient organizations. Most of the research focused on non-profit organizations.	Extent of market or institutional pressures varies in sectors but all organizations operate in both technical (market) and institutional environments. Recognition that rules, norms and belief systems undergird all stable social systems including economic systems. Institutional processes provide rules and norms which govern competition and cultural templates are bases of strategic action.
From institutional stability to institutional change	Focus on stability, order and convergent change. Concentration on showing the institutional effects through primarily cross-sectional studies.	External (wider systems or neighboring systems; carriers of new institutional logics) and internal reasons (inconsistencies; persisting poor performance, etc.) change institutional systems. Structuration processes should not be neglected. Investigation of the construction of new institutional arrangements and deinstitutionalization of existing institutions is an important development. Longitudinal studies have been proposed for further examination.

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[8] The table has been made by the author of this thesis though it heavily draws from Scott (2008).

4.4   A theoretical model of the institutionalization of new governance forms

An analysis of the literature reveals that there has been much emphasis on *adoption* and *diffusion* of organizational constructs[9] rather than on the *construction* of new institutional arrangements. This tendency makes an ITS–perspective similar to a rational choice perspective (See also Quattrone and Hopper 2001) because both show the response of an organization or an actor to something that is already available at an organization field level. Viewing in this way, in the rational choice perspective the modes or institutions of governance are just 'given' as ontologies that exist 'out there'. From an ITS perspective the governance institutions are also considered to be 'out there', albeit socially constructed. Extant accounting and control research drawing upon ITS paid much attention to an understanding of the conformity individual organizations show in adopting new governance institutions, with hardly any attention for the path creating and path changing individuals or organizations to whom we refer as institutional entrepreneurs (See a special issue on institutional entrepreneurship reviewed by Garud, Hardy, and Maguire 2007). We suggest that both sides of the coin (adoption and construction) have to be taken into account. Therefore, there is a need for a more comprehensive model on the institutionalization of governance. This framework emphasizes the study of non-isomorphic change preceding the usual adoption or adaptation and diffusion i.e. the isomorphic change at field level. Field data may contribute to refinement of ideas expressed in this framework.

To a large extent the development of a new governance institution takes place through the interplay between the level of the interfirm relationship and the level of the organizational field, where networks of organizations and professionals emerge and develop. Therefore, the framework to be developed here takes a multi-level focus. It takes both the interfirm level and the field level under scrutiny (although the emphasis is on the field level). This is an important extension of extant institutional frameworks that focus on the level of the individual organization, without much explicit attention to the field of organizations to which an individual organization belongs (Exceptions include Dillard,

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9 The word 'organizational construct' means an organizational form as well as a governance / management control structure.

Rigsby, and Goodman 2004; Hopper and Major 2007). However, there is an important additional extension and that extension concerns the significance of agency and institutional entrepreneurship.

In short, the theoretical framework that is constructed allows for both a multi-level understanding and for a prominent role for agency, particularly for the role of institutional entrepreneurs. Institutional entrepreneurs are skilled actors who use existing cultural and linguistic materials to narrate and theorize change so that other social groups in the field agree to cooperate in the change process (Greenwood, Suddaby, and Hinings 2002; Maguire, Hardy, and Lawrence 2004) and try to connect the new practices to stakeholders' routines and values (Maguire, Hardy, and Lawrence 2004). By exploring the concept of institutional entrepreneurship we extend the analysis from the adoption of 'new' governance institutions by individual organizations (and, from a field level perspective, the related diffusion across organizations) towards the construction of new governance institutions.

4.4.1 *Incorporating the concept of institutional entrepreneurship in a multi-level focus on governance / control change*

Established institutions are stable and persistent. They create path dependencies. However, institutions do change with the passage of time. The institutions change as a result of functional, political or social pressures (Dacin, Goodstein, and Scott 2002).The concept of institutional entrepreneurship is helpful in exploring how actors shape emerging institutions and transform existing ones despite the complexities and path dependencies that are involved (Garud, Hardy, and Maguire 2007). These institutional entrepreneurs can be individuals or organizations. Institutional entrepreneurs are the actors who have an interest in a particular institutional arrangement; they leverage resources to create new institutions or to transform existing ones (Maguire, Hardy, and Lawrence 2004). Institutional entrepreneurs break with existing rules and practices associated with the dominant institutional logics and institutionalize alternative rules, practices or logics in which they are interested (Battilana 2006; Garud and Karnoe 2001). The alternative rule, practice or logic (in our case, the alternative governance) becomes

institutionalized when it is shared and taken for granted across a wider field and the deviation from it is sanctioned or requires appropriate justification. Institutional entrepreneurs may explore legitimacy and they may create institutions which are appropriate for them and which foster their interests. These agents, having resources, bring institutional change and they change the character of the institutions (Dacin, Goodstein, and Scott 2002). They are powerful actors who shape the change in a process that may be highly political. Sometimes, even less powerful actors may shape the institutional change, especially in emerging fields. This is, for instance, demonstrated by a study into HIV/AIDS treatment advocacy in Canada (Maguire, Hardy, and Lawrence 2004). The concept of 'institutional entrepreneurship' provides a ground for understanding how certain new organizational governance forms emerge and become established over time. It reintroduces the concepts of agency, interests and power into the institutional analysis of organizations (Garud, Hardy, and Maguire 2007). Institutions are not only constraints, but also a platform for entrepreneurial activities. Change is embedded in institutions, but is also the result of human and/or organizational agency.

Incorporating the concept of institutional entrepreneurship into the analysis encourages a multi-level focus. As is stated before, most of the ITS-informed studies into control change have focused on the adoption of control structures (for instance 'balanced scorecards') at the level of the individual organization. The inherent assumption is, that these structures are 'available' at field level and that, from the perspective of the field, they are diffused across organizations. However, before these structures can be diffused and adopted, they have to be designed and (socially) constructed. The design and construction takes place in the interplay between the level of the individual organization and the level of the organizational field. Though social construction takes place prior to adoption and diffusion, every adoption enhances diffusion and as a result reinforces the construction. In fact, this is the process of institutionalization. The outcome of an institutionalization process is a new or changed institution of governance that is a sufficiently powerful suggestion for an efficient solution to the problems experienced at the level of individual organizations; or just a sufficiently powerful suggestion of how things should be at the level of the individual organization. When a particular institution

of governance becomes so pervasive that it attains a kind of taken for granted status (e.g it is considered to be *the* efficient and legitimated form) and the deviation from its adoption has to be justified, it is called institutionalized. Essentially, the process of social construction is a result of the interplay between the field and the firm level.

Institutional entrepreneurs are important in this interplay. They are powerful actors that take an interest in a particular institutional arrangement. They deploy resources at their disposal to create and empower such arrangements. They bring about change while advancing their own agendas (Dirsmith 2007; Mizruchi and Fein 1999). One important category of such actors is the category of professionals, often organized in professional networks. These actors project new governance forms in the field, support and advertise them by explaining benefits and by highlighting disadvantages of the competing alternatives. The focus of the framework developed in the following sub-section is on the process of institutionalization of new governance forms and, thus, on the interplay between the level of the individual organization and the level of the organizational field.

4.4.2 *Towards a theoretical framework for the understanding of change in governance*

Change in forms of governance could be of two modes: construction and reproduction. The construction mode may involve design activity (at the level of a specific interfirm relationship) as well as political action in political arenas. Particularly organizational fields can be conceptualized as political arenas where power relations are maintained and transformed (Clemens and Cook 1999; Lounsbury and Ventresca 2003) and where contestation and struggle are at the heart of the construction processes (Garud and Rappa 1994; Maguire and Hardy 2006). The reproduction mode involves adoption and diffusion. The adoption (and further tailor-design) of the governance form in specific interfirm relationships reproduces the governance form at the organizational level (or interfirm level) as it is already available at the level of the organizational field. Such a reproduction might entail (small) changes that affect the original construct and that reproduces it (and thus slightly changes it) at the level of the organizational field. Both

modes of change (construction and reproduction) can be existent at both levels i.e. the (inter)firm level and the field level.

Hargrave and Van de Ven (2006)

We draw on the Hargrave and Van de Ven (2006) model to come up with a modified theoretical framework for understanding governance change. Linking the two modes of change with the two levels of analyses (the firm and the organizational field), they (ibid) describe four perspectives on institutional change: institutional design, collective action, institutional adaptation and institutional diffusion. We have made a simple version of these four perspectives for the sake of clarity as shown in figure 5.

Figure 5: Perspectives on institutional change

	Mode of change	
	Construction	Reproduction
Focus Multiple actors in Inter-organizational filed	Collective action	Institutional diffusion
Single actor	Institutional design	Institutional adaption

In figure 5, looking vertically there are two modes of change namely construction and reproduction. Looking horizontally the focus could be on an individual organization or multiple organizations (i.e. field). The construction mode of change shows purposeful strategies to create or change an institution (governance) to solve a problem or injustice either at an individual organization (or interfirm relation) or at field level. The strategies are, of course, influenced by the existing internal and external institutions. If the

construction is at an individual organization (or interfirm relation) it is called institutional design and if it is at the field level it is called collective action. The reproduction mode of change implies the adoption of an existing construct either by an individual organization or by multiple organizations for any reason (in the form of isomorphism). The adoption and further adaptation at the local level to the specifics of a particular context (i.e. a particular interfirm relationship) is called institutional adaptation and the spreading across many organization in a field is called institutional diffusion. The diffusion process is characterized by evolutionary processes of variation, selection and retention. In this process, when organizations adopt new practices, they also customize it to their circumstances with some variations and over time some practices are selected and retained similar to the evolution of the nature. This concept comes from organizational institutional ecology literature (e.g; Carroll and Hannan 1989; Hannan and Freeman 1989). The four perspectives on institutional change are not only alternative perspectives on a single phenomenon but also represent different temporal phases of one complete institutional change process.

From figure 6 the important additional observation can be made that human agency is particularly important in the construction mode of change. It comes in the form of purposeful action and it entails (social) construction and political action. Political action involves conflict and power. Power also shapes behavior and thus efficiency-seeking or legitimacy-seeking behavior may not be the only causes for an institutional change at the local level. Instead, the actions may be driven by the desire to maintain power.

4.4.3   A theoretical framework

To develop a framework that is capable of offering a comprehensive theoretical understanding of a development towards the construction of new governance forms , we use the four perspectives of Hargrave & Van de Van (2006). We focus on an explicit inclusion of professionals and professional networks as field level institutional entrepreneurs. . We also add a time line to show that these processes take place over a period of time. The modified model is depicted in figure 6.

Figure 6: Theoretical Framework

Construction   Reproduction

Collective Action   Diffusion

Field Level

Conflict, power and politics among groups of major Organizations and other Professionals & networks

Evolutionary processes of variation, selection and retention (Isomorphism)

Framing contests/Theorization, Endorsement /Legitimation Construction of networks Enactment of institutional arrangements Collective action processes

Professionals & professional Networks

Isomorphism (Coercive, normative, mimetic)

Organization Level

Institutional Design   Institutional adaptation

Reasons

Efficiency or solution to a problem or any other other change   Legitimacy/efficiency

Time

Starting from the construction mode, figure 6 can be explained as follows The interaction between professionals and professional networks and a local organization's purposeful strategy to change governance (institutional (re)design) precedes field level social construction (collective action). Essential in the process of getting socially constructed and institutionalized is the local design of a new governance mode. The new local governance can spread to other organizations once it is socially constructed in a specific filed of organizations by the professionals and other important field level organizations. As the number of local organizations adopting the new governance form increases, the governance form starts to get more legitimacy. Other local organizations feel isomorphic pressures (coercive, mimetic and normative) and start adopting such a form. Such isomorphism is at the basis of institutional diffusion, something that takes place at field level. So, construction initiates reproduction in the form of local adoption and may entail diffusion (as a consequence of several local adoptions) at field level. At the same time, each reproduction reinforces construction. There is interaction between construction and reproduction. While

in prior studies the emphasis has been on reproduction in the form of isomorphism (right hand side of the figure 6), our focus is on the construction aspect (left hand side of figure 6).

We suggest that professionals such as consultants and facilities management professionals are important institutional entrepreneurs shaping institutions of governance. They are organized in professions and professional networks that encompass organizations such as academic institutes, non-academic practitioner platforms and other organizations used for disseminating ideas and making contacts. The professionals and their networks play active role in constructing (or in helping to construct) a specific governance institution at the level of an organizational field. They mediate not only in construction but also in local reproduction., for instance, by consultancy services, conferences, seminars, publications and training programs. In short, they frame the institution of governance and they construct networks and coalitions in order to create its market (and, thus, the perception of efficiency) and its legitimacy. They affect both modes of change (construction and reproduction) and are active at both the level of field and the local level. They need not necessarily be the originators of a new governance form though. The new governance form might originate at a specific (inter)firm level, looking for a solution to a problem it experiences, or seeking for more efficiency. The design activity at the local level may also be induced by some other factor, for instance a change in management. Furthermore, the new form may also originate in an interaction between locals and professionals. But the innovation (originating either from the local or from the interaction between the local and professionals) may not get further constructed at field level without the support of professionals and their networks who project this innovation to the field. They theorize or frame the benefits of the new practice or institution of governance and make coalitions with big players (other professionals and major organizations) in the field (Greenwood, Suddaby, and Hinings 2002). In other words, the construction at field level calls for collective action (Hargrave and Van de Ven 2006).

During the collective action of the construction process, the professionals theorize the governance form. Such theorization essentially is a process through which organizational failings are conceptualized and linked to potential solutions (Greenwood, Suddaby, and Hinings 2002).The professions and professional networks theorize a new alternative; they

endorse local innovations (provide success stories of companies which use that particular governance form) and shape the construction and further diffusion of that governance form (Greenwood, Suddaby, and Hinings 2002; Scott 2008b). Of course, there might be conflict, power or politics among the professions themselves regarding the utility and legitimacy of the innovation. This might hinder or slow down the social construction of the new governance form.

The time line in the diagram shows that this interactive process of construction and reproduction takes place over a longer period of time. But construction is necessary prior to reproduction, although each reproduction also reinforces construction, at least in the beginning. It has to be emphasized that some innovations do not institutionalize, while others do. Professions and professional networks play important roles as institutional entrepreneurs. They are central to the process of institutionalization. Yet, they are not the only ones. Also a local adopting organization may create a new governance form during a translation process. Nevertheless, field level construction of any governance form heavily depends on the role of professionals and professional networks. Even the evolutionary changes as a consequence of the various local translations are communicated to the field by the professionals and their networks.

The above framework is useful but it has some limitations also. It seems that the organization that is involved in institutional design is somehow free of the influence of the institutional environment and that it can come up with efficient solutions. This shows a kind of instrumental rationality wherein actors (organizations) can strategically respond to the institutional pressures (Lounsbury 2008; Oliver 1991). The following section explains how another kind of rationality, called institutional rationality, also influences the choices made by the individuals and organizations. In other words, the framework did not elucidate *why* the professionals and professional networks or individual organizations pursue the construction of a new institution of governance.

4.5　Limitations of the theoretical framework: instrumental rationality and institutional rationality

This section explores the limitations of the theoretical framework developed in the previous section and also discusses the two different concepts of rationality i.e. instrumental rationality and institutional rationality (cf. Lounsbury, 2008). The organizations can strategically act in their own interests and react to institutional pressures in different forms such as defiance, manipulation, compromise, etc. (Oliver, 1991). Lounsbury (2008) labels this kind of rationality as instrumental rationality. The above part explains the instrumental rationality of how a new governance form can emerge and develop in a specific field. It also revealed the role of some actors as institutional entrepreneurs and the apparent reasons (efficiency or legitimacy) for the adoption of a particular governance form across the field. Instrumental rationality valorizes the autonomy of individuals to take decisions in ways that strategically serve their material interests (Lounsbury 2008) and assumes an institution-free conception of interest and power in which actors have objective interests independent of their understandings (Friedland and Alford 1991). The framework emphasized the role of professionals and professional networks but it did not discuss the influence of existing institutions on their actions. The instrumental rationality does not allow a deeper understanding of *why* a field changes. In order to understand why the governance changes in the field, we need to look at the institutional rationality that guides the cognition and decision of field participants or actors. Institutional rationality is a collective rationality that guides individual behavior and is beyond the discretion of an individual or an organization. It emphasizes the role of broader structures of meaning without being deterministic (Lounsbury 2008). It brings attention to the institutional logics that prevail in the field and how these logics are connected to the broader societal logics and orders. Institutional logics are, "the socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space and provide meaning to their social reality'' (Thornton and Ocasio 1999; p.804). Institutional logics define the content and meaning of institutions. A focus on institutional rationality calls for an approach that focuses on the effects of differentiated institutional logics (instead of isomorphism) on individuals and organizations in a larger variety of contexts, including markets, industries and populations of organizational forms

(Thornton and Ocasio 2008). Institutional logics shape rational, mindful behavior and at the same time individual and organizational actors shape and change the institutional logics (Thornton 2004). Thus, the institutional logics provide a link between institutions and action, that is, situated forms of organizing (actions taken at local level) are linked with beliefs and practices in wider institutional environments (Thornton and Ocasio 2008). Each institution has a central logic which is a set of material practices and symbolic constructions. The logic constitutes the organizing principles of an institution and is available to organizations and individuals to elaborate (Friedland and Alford 1991). The institutional logics are contradictory and may change over time. The core meta-institutions of western society are the capitalist market, the bureaucratic state, family, democracy and religion, and each of these institutions has a central logic (Friedland and Alford 1991). The typology of the core meta-institutions is further developed by Thornton (2004), who states that the western societies are composed of six societal sectors- the market, the corporation, the professions, the family, the religions and the state (Thornton, Jones, and Kury 2005). Because the institutional logics of the aforementioned meta-institutions are inherently contradictory, such institutional contradictions may serve as the bases for the most important political conflicts and for institutional change. Individuals, groups and organizations may exploit these institutional contradictions to transform institutions. The institutional logics approach emphasizes that individual and organizational behavior can be understood when such a behavior is located in a social and institutional context that both regularizes behavior and provides opportunity for agency and change (Thornton and Ocasio 2008).

Furthermore, the above framework still maintains a dichotomy between technical and institutional forces because the organization at the institutional design side has a stronger focus on technical aspects such as efficiency and the organization at the institutional adoption side has a stronger focus on legitimacy seeking. However, the framework does not connect the decisions of a local organization with the institutional environment. Lastly, the model emphasizes the power of professions and professional networks without explaining why such professionals and their networks are behaving in such a way. They have some logics of action which may be connected to the institutional environment in the field and at a higher level in the society. Thus we need a more penetrating and broader examination of the

governance change in the field. Such an examination requires the conceptualization of the organizational field as containing multiple and competing logics (Friedland and Alford 1991; Lounsbury 2008).

4.6   Summary of the chapter

This chapter reviewed extant research that drew upon ITS. There has been an emphasis on the need for legitimacy and isomorphism. The individual organization just responds to institutional pressures, be they of a coercive, mimetic or normative nature. There is isomorphism at the level of the organizational field. The research shows that the organizations primarily show legitimacy-seeking behavior instead of efficiency-seeking behavior.

This chapter purposefully developed a theoretical framework for the understanding of the institutionalization of a new governance / construct at the field level. The framework has room for both efficiency-seeking behavior and legitimacy-seeking behavior. Whether efficiency is *in* legitimacy or legitimacy is *in* efficiency, is an open question that has to be answered by field research. But the contribution of institutional theory to the understanding of change in control structures is extended by explicitly emphasizing institutional entrepreneurship in the social construction at the field level. Such entrepreneurship is assumed to be particularly undertaken by professionals such as consultants and professional associations. They are the 'lords of the dance'(Scott 2008b). The professionals design (or help designing) the new governance, they mediate in the adoption of this new organizational construct by individual organizations and they help to accelerate the institutionalization of the construct at the level of an organizational field. The introduction of institutional entrepreneurship in the analysis calls for a multi-level focus. The framework regards the interaction between the level of the individual organization and the level of the organizational field. Following Hargrave and Van de Ven (2006) it distinguishes between two modes of change: a construction mode and a reproduction mode. A new governance form spreads in the field after construction, whether originally created by an individual organization or by the interaction between organizations and professionals. Its origin might be driven by technical considerations, by efficiency-considerations and/or by a change in

external circumstances. After its origination a construct (governance) is socially constructed at the level of the organizational field through collective action by institutional entrepreneurs, particularly professionals and their networks. Once constructed at the level of organizational field, the construct is diffused across many organizations through isomorphism (adoption and diffusion).

The following chapter (5), employs this framework to shed light on the social construction of a new governance form (IFM) in the field of FM in the Netherlands. Such research may provide the answers to important questions like how and why fields change, how is the process of field level construction and what are the roles of the parties (individuals or organizations) involved (particularly the way professionals 'theorize' the change) in the social construction of rationalized myths of alternative governance. The construction process takes place over a longer period of time and in order to understand the construction process at field level, a historical method or a longitudinal study would be adequate. But for the lack of time this research is cross sectional although documents collected pertain to a longer period of time. It will provide an understanding of how a construct evolved over time along with the roles played by different actors in this process.

There are some limitations of this theoretical framework. Firstly, there might be state, societal and/or global effects on an organizational field. They may provide opportunities to the institutional entrepreneurs for the construction of an alternative governance or may change the course of the construction of an alternative governance. Moreover, professional networks may involve non-human aspects, for instance, electronic and print media and others means of communications. These aspects remain implicit in the framework developed. Thirdly, the theoretical framework provides an instrumental rationality perspective on the change in a particular field. However, institutional rationality is more suited to a deep understanding of why a field changes. The institutional logics of a field are connected to wider societal logics and such a connection may provide explanations for the changes in a specific field. The institutional rationality challenges the two stage model where initial adopters of any governance are efficiency seeking and later adopters are legitimacy seeking because it reveals that the technical and institutional forces are not

separate and distinct. It emphasizes that what is considered to be efficient or legitimate is socially constructed. Therefore, these factors were also considered during data collection and analysis phase.

CHAPTER 5: GOVERNANCE CHANGE AT FIELD LEVEL—FIELD INSIGHTS

5.1. Introduction

In the first chapter of this thesis, it was outlined that this research investigates governance change at the field level as well as at an interfirm level. The purpose of this chapter is to reflect on the field level change in governance by drawing on field level data. The questions related to the field level study are re-written as follows:

Why and how is governance changing in the field of facilities services in the Netherlands?
How is IFM being socially constructed at the level of the field of facilities services and what in particular is the role of institutional entrepreneurs?

In order to respond to these research questions, the previous chapter, particularly the theoretical framework developed in that chapter, along with field data (interviews and documents) will be used. The field under investigation is the field of FM in the Netherlands. This chapter investigates the change in governance (i.e. the emergence and further development of IFM). It comprises three sections. Next section (5.2) describes and analyzes how the field of FM is changing particularly with reference to IFM. Here, the focus is on the instrumental rationality. Particular attention is given to the institutional entrepreneurs. This section explains *how* the institutional entrepreneurs are shaping the field of FM and how they are constructing IFM. The subsequent section (5.3) investigates *why* the governance is changing in the field of FM. This section emphasizes the institutional rationality with a particular focus on the institutional logics and institutional order that influence all the actors in the field, including the institutional entrepreneurs. A final section (5.4) summarizes the chapter.

5.2. IFM Field Description and Analysis: How is the field changing?

5.2.1. Depicting the field

As the aim of this research is to gain a richer understanding of the process of social construction of IFM in the field of facilities services in the Netherlands, it is necessary to describe what precisely the field is. A field is not formed around common technologies or common industries, but around issues that bring together various field constituents with disparate purposes (Hoffman, 1999, p.352). Therefore, in this research the organizational field comprises all the organizations that are in some way or another connected to IFM (a governance form). Figure 7 below depicts the field as it is the focus of this research. We will discuss IFM and all the field participants one by one along with their role in the social construction of IFM.

Figure 7: Field of IFM
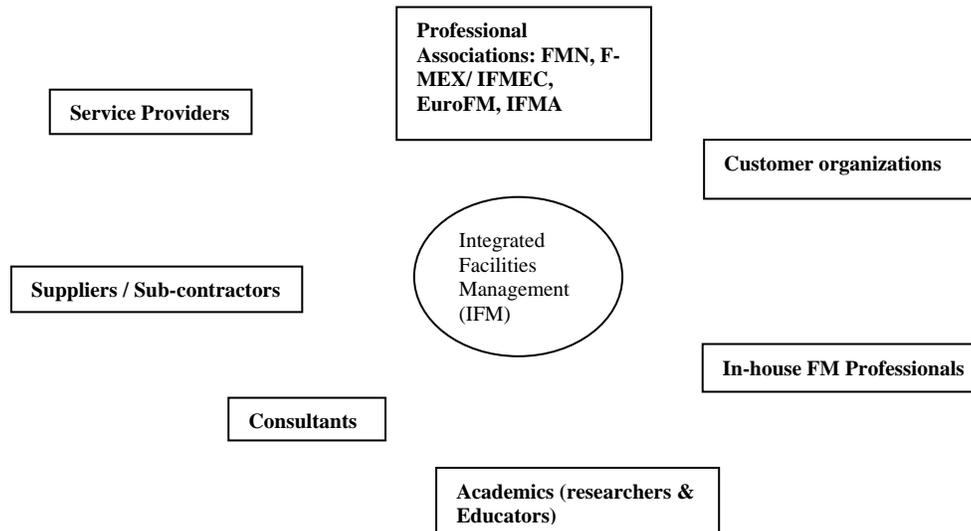
5.2.2. Constructing IFM

In what follows, the field is described in more detail. Moreover, this subsection demonstrates how the field of FM has been changing over time. Particular attention is paid to the instrumental rationality of the institutional entrepreneurs who have been very dynamic in the construction of IFM in the field of FM in the Netherlands. How do they strategically

respond to the institutional pressures they experience? The institutional entrepreneurs in this case were the service providers and consultants, particularly the international ones because they initiated the idea of IFM in the Netherlands. The initial client organization that went for IFM was also a multinational organization. The precedent set by the international organizations was followed and taken seriously by the local service providers and consultants which gave momentum to the construction of IFM. The professional associations' have mostly been inclined towards the dissemination of knowledge, concepts and best practices. Moreover, these professional associations were the networks used by the institutional entrepreneurs in the construction of IFM. The first organization that opted for IFM and some other big organizations that followed were used as exemplars in the different publications and conferences. The institutional entrepreneurs promoted a way out to cope with the cost reduction pressures and labor protection laws.

In what follows significant roles of the different actors regarding IFM are expressed and related to the construction and reproduction of IFM.

IFM and TFM: two dominant views of an academic and a consultant

The term 'FM' appeared in the American literature in the beginning of 1980s and in the mid-1980s the term became popular in Europe, including the Netherlands (Wagenberg 1997). As was demonstrated in chapter two, the definition of FM is ambiguous.. It is difficult to give a clear cut definition of FM and the contents of FM probably differ among organizations and change over time (Van Herk, Diepen-Knegjens, Van der Kluit, and Maas 2006). A similar ambiguity was observed with regard to the definition of IFM in the Netherlands: different actors in the field have different definitions of IFM. The terms 'main-contracting' and 'total facility management (TFM)' are alternative terms for IFM (Wagenberg 1997; Ytsma and Ytsma 2005). In IFM all activities related to housing, services and other means are dealt with by one organization (Brat 1996).

As is suggested by one academic knowledgeable in the field, the construct of IFM is linked up with the way FM is governed and controlled. In case of IFM, organizations outsource their FM, either internally or externally. The FM organization or department is an entity with

a special focus on facilities management. The word 'integrated' means that the internal FM organization has the power to plan and control the facilities services that are provided to different internal customers. According to him, if the FM department or organization does not have the responsibility of planning and control, it is not FM, let alone integrated. He strongly conceives FM to be similar to IFM. He states :

"The distinction between IFM, in conceptual terms, and FM for me is the same. FM by definition is integrated as an idea. But apparently the market needs to add this word integrated and I think that has to do with the devaluation of the idea of FM. Both IFM and TFM are marketing tools"

However, in the field of FM in the Netherlands, it is a wide spread understanding that the terms IFM and TFM refer to the same idea and they involve external outsourcing. For instance, a consultant describes it as follows:

"When we talk about IFM we are talking about outsourcing. IFM is outsourcing all your facilities including management and coordination to one supplier. IF we talk about IFM or TFM we mean exactly the same"

Therefore, in this thesis, IFM and TFM are considered to be synonyms and they include outsourcing all the facilities services including their management and coordination to a single service provider.

Professional Associations

Professional associations in the Netherlands that are of big relevance to the IFM field include Facility Management Nederland (FMN), Facility Management Excellence and Experience (F-MEX) / International Facility Management Expert Centre (IFMEC), International Facility Management Association (IFMA) and the European Facility Management Network (EuroFM). Following is the description and role of these professional associations:

FMN:

The website of FMN describes it as follows:

"The FMN is the professional association in the field of facility management. The association contributes to the development and promotion of this branch, brings its members together and keeps them informed. This benefits both their own performance and that of the organization for which they work. FMN's mission statement is: Professionalization of Facility Management Processes. FMN realizes its objectives by organizing meetings and conferences on a national and regional level, where distinguished speakers address professional subjects, and where members can make (new) contacts. The FMN initiates, promotes and supports scientific research in the field of facility management. The FMN supports education in the field of facility management and aims to link education with facility practitioners. Within the FMN the sections of Management and organization, Health Care, Building (maintenance) Management, Facility Purchase, Park management, and Starting Facilities managers, play an active part. These sections all contribute to the development of the professional field. On an international level FMN is active in EuroFM, a European network.

Eleven times a year FMN publishes its association journal "Facility Management Information (FMI)". This journal provides information about the FMN, its members and the branch. Twice a year FMN publishes "FM Executive" a magazine for the management of the top 2000 organizations in The Netherlands. Members receive the FMN-E-zine 22 times a year, so they constantly will be informed about activities of the FMN and other relevant development in FM. Once a year the FMN publishes a yearbook called the Almanak, which supports the network function by giving information on all aspects of FMN's activities and members." [10]

FMN came into existence in 1995 by a merger of three Dutch associations (Inter Service Manager (ISM), Facility Management Zorgsector (FMZ) & Nederlandse Facility Management Associate (NEFMA)) (FMN 2009). As per FMN Almanak 2009, FMN has 2,300 members who are facilities managers in big and small organizations; it also has members who are advisors, suppliers of facilities services, representatives of related associations and facilities management academics and students (FMN 2009).

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[10] *The website of FMN: Facility Management Nederland (The text was browsed on 5th Jan. 2009 at http://www.fmn.nl/cms/showpage.aspx?id=147)*

FMN supports the research in FM and has a named chair in Facility Management located at the Management Studies department at the University of Wageningen since 1st January 2000. Every year approximately 8 students complete graduate research in FM and some of them start a PhD project (FMN 2009). The sponsorship of this chair is a joint initiative of FMN and a number of organizations[11] (business companies, service providers, other associations, etc.).

The service providers and consultants regard the FMN to be a trend watcher in the FM market, while at the same time considering themselves as the ones who professionalize and promote IFM. A consultant expresses his opinion as follows:

"No, FMN is not promoting it. Yes FMN is doing some research at the moment. But it is limited. At this moment, most of the efforts in professionalizing this way of organizing FM is done by the main service providers and 2 or 3 consultants like us. They do most of the work."

A manager at a service provider firm has the following to say about the FMN and other professional associations:

"I think professional associations are followers. The service providers are leaders. They are forced to be the leaders. If we (service providers) have the best idea in the world we are not going to tell FMN. We are going to tell our clients. Then we implement the magnificent idea and then tell FMN, 'Look what we did'."

One facilities manager thinks that FMN members are strongly focused on operational issues and lack a strategic focus.

"FMN is much more on an operational level. I was a stranger in FMN because the ideas I was talking about were not understandable to them. They were talking about light bulbs and French fries always. They are talking about cooking and cleaning. Much more on the operational level and not at a higher level."

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[11] Some of these organizations are KPN Operations Vaste Net, Facilicom Service Group, Arcadis Aqumen facility management, Strukton Worksphere, Vereniging op het gebied van projectverhuizing (PVV), Ondernemmersorganisatie Schoonmaak- en Bedrijfsdiensten (OSB) and OCE Business Services Lennartz, R. and R. Veeke. 2009. "De markt van integraal facility management in beeld gebracht: Een verkennend onderzoek naar de stand van zaken." Significant & Facility management Nederland, Barneveld..

Another facilities manager has a similar view about FMN:

"But a problem with FMN is that there are not many members working at a strategic level. Many members are working on an operational level. So if you want to talk about future strategic developments, you could wonder if FMN is the right group to be engaged with."

According to one academic the influence of FMN is declining and the service providers and consultants together are changing the field of FM. FMN has focused on in-house FM.

"Well, FMN's objective is to professionalize the field and the emphasis has been on in house FM and facilities managers and it becomes more and more difficult for them because they also see that the driving forces are more outside FM than in house. If they continue to operate as they do, I am convinced that their influence will decline. So you can see that the people who are directing, for example, the [name of a service provider] is now a billion Euro company, they (that director) get into contact with already multinational and large corporations on the level of senior management. So they start to get influential. Its above the FM responsible person within an organization that these connections start to be established and I think business consultants are facilitating that.

He further narrates:

"It is very complex situation in which the in-house FM group is at the moment. They have powerful suppliers who circumvent them. There is always tension between business units and the top of the organization and that is also having an effect on the possibilities and the role they have in the company. Good FM is really understanding all these forces. And knowing to get them work a little bit together instead of all against each other. Now there is too much influence of suppliers. ....More and more contracts are made with IFM or TFM companies."

A representative of FMN thinks that the role of facilities managers has been taken over by the service providers:

"No. It is not dominated by the suppliers (service providers) yet. But there is a movement that facility mangers are going to the service providers and in that role they are members of FMN. So I think the function of facilities managers in the companies is being taken over by the service providers."

Summing up, FMN is the biggest professional association in the field of FM in the Netherlands. Other parties (service providers, suppliers and consultants) are influencing the field and to some extent FMN. FMN incorporates more and more service providers as its members. In IFM, the FM employees of the client organizations are transferred to the service provider organization. Such individuals remain members of FMN but they become employees of the service provider. Almost 25% income of FMN comes from non-individual sponsors. The non-individual sponsors are different organizations including service providers. The consultants and service providers consider FMN as a follower rather than a leader in the field as will be shown later.

F-MEX / IFMEC:

The website description of F-MEX, another professional association, is as follows:

"F-MEX was founded on April 21 2006, initiated by Iwan Liem, Facilities manager of the year 2004-2005, together with two students of the NHTV (a university of applied sciences) Breda. Its goal was to bring together companies/businesses, education and upcoming talent in order to increase the professionalization of facility management. The power of F-MEX can be attributed to the collective intelligence of the facility organization and young professionals. This collective intelligence makes it possible to create innovative new ideas and to solve diverse issues. The board of F-MEX consists of professionals and young professionals. By means of this collection of people, the board aims to connect with different audiences. Finding the "best practice and the next practice" in a facility organization is the primary goal of every facilities manager, according to us. To find the "Best and the Next practice" we need a platform in which experiences are shared that contribute to our goal. FMEX offers participants the opportunity to increase their knowledge network and to come to a sharing of knowledge and increase of knowledge (knowledge-development). FMEX focuses on development of talent by offering traineeships to young professionals by means of excellent traineeships, co-operated with IFMEC (International Facility Management Expert Centre- an educational and training institute). The young professional is stimulated to develop himself/herself in a timeframe of 3-6 months in which he/she gains experience in a professional FM organization. During this project/ trajectory the young professional is coached intensively. FMEX also offers "the excellent trainee-trajectory." By this the young professionals can gain important experience during their studies and will also be intensively supervised / coached."[12]

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[12] *The website of F-MEX: Facility Management Excellence and Experience. (The text was browsed on 19th May 2011 at http://www.f-mex.com/pages/over-ons.php)*

FMN and F-MEX seem to be not supportive of each other. The representative of FMN thinks that F-MEX is not a professional association and his views are as follows:

"F-MEX is a particular initiative. They are training people with FM studies to offer them a kind of traineeship. Of course, they are in the field of FM but they are not an association."

According to the members of F-MEX they have a strategic outlook but FMN is more focused on operational issues.

IFMA:

International Facility Management Association (IFMA) is another professional association that is headquartered in Houston, Texas, USA. Its website provides the following information:

"IFMA is the world's largest and most widely recognized international association for professional facilities managers, supporting more than 19,500 members in 78 countries.
The association's members:

- *Include 125 chapters and 16 industry councils worldwide*
- *Manage more than 37 billion square feet of property*
- *Annually purchase more than US$100 billion in products and services*

Formed in 1980, IFMA certifies facilities managers, conducts research, provides educational programs, recognizes facility management certificate programs and produces World Workplace, the world's largest facility management conference and exposition[13].

IFMA's Certified Facilities manager® (CFM®) credential is globally recognized as the most reliable standard for distinguishing the achievements of facility management, reinforcing the Association's claim for facility management and strengthening the CFM's position as the ultimate authority in facility management.

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[13] **IFMA website (The text was browsed on 20th May 2011 at http://www.ifma.com/about/)**

Chapters and Councils:

IFMA's chapters and councils offer members unique opportunities for networking and professional development and events that complement products and services offered by the Association. Chapters and councils also develop a sense of loyalty and passion among members and leverage IFMA's appeal as well as membership growth and retention.

Education:

IFMA's professional development area provides a variety of content-based education to advance the knowledge of the facility management practitioner or professional. Courses also are provided in convenient formats including classroom (face-to-face), online and audio."[14]

According to some of the facilities managers IFMA is not very supportive and appreciative of local context. For instance, one facilities manager thinks that he was not heard by IFMA because they are not open to different thoughts and because the flow of information is one way, i.e. from IFMA to local members.

" They [IFMA] are not very open to other thoughts. They always think, " we come and we tell you". I say no, it does not work that way. I am trying to convince them that the things are different. The Americans always want to make the whole world a McDonalds or a KFC. That's the same with IFMA. They always send us the information. That's why IFMA Holland is dying. What's the added value for being a member of IFMA? Nothing anymore. We could not find with IFMA the things which really satisfied our needs. I need a peer group to talk with."

Another facilities manager thinks that IFMA is at a distance from the local context:

"I am a member of IFMA. IFMA is more international and their attention is away from the Netherlands."

European Facility Management Network (EuroFM):

A final professional organization is EuroFM. The EuroFM website provides the following information about itself*:*

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[14] **IFMA website (The text was browsed on 20th May 2011 at http://www.ifma.com/about/strategic-competencies.htm)**

"In 1987 the first exploratory meeting to create a European FM network was hosted by Mr. Bart Bleker in The Netherlands. He helped develop the association till 1990. In 1993 the European Facility Management Network was officially registered by NEFMA, the Dutch FM association now called FMN, the Danish FM association DFM and the British Centre for Facilities Management led by professor Keith Alexander. The CIB (International Council for Research and Innovation in Building and Construction) had helped develop and found the association.

From 1993 till 2002 each one of the 27 European national FM markets developed in its own pace and direction. In some countries facility management was started by real estate or maintenance professionals. In other countries the focus was more on services. IFMA helped develop the European FM market by founding national IFMA chapters and organising the World Workplace Europe conference in collaboration with EuroFM. Several countries also founded a Centre for Facility Management or developed a faculty for FM at universities.

Today the association focuses on:

1. *Promoting FM across Europe*
2. *Adding value to our members*
3. *Financial Stability*
4. *Dissemination of knowledge and information*
5. *To facilitate networking opportunities to share best practice.*

The mission of EuroFM is the advancement of knowledge in Facility Management in Europe and its application in Practice, Education and Research.

At the start of 2011 the EuroFM association represented 100 organisations working in the € 650 billion large European FM sector. This sector is the largest European Business Services market, the second largest European sector (5-8% of GDP) and the largest FM market in the world. January 2011 sixteen organizations were Corporate Associates (clients and service providers) representing € 110 billion turnover and 1,300,000 staff. 23 were national associations representing 22.000 members. The university and educational members represent 14.000 students. The members are based in 23 European countries. EuroFM newsletter is read by 65.000 people around the globe. The open network of professionals, academics, educationalists, practitioners and researchers generates a rich mix of activity. Projects and activities are initiated by four groups:

- *the Practice Network Group,*
- *the Education Network Group*
- *the Research Network Group*

- *the Corporate Associates group.*

These groups form the core of EuroFM. The EuroFM members are involved in an open exchange of information and experience through meetings, seminars and workshops, through collaboration in research projects, sometimes funded by EC, and through the development of joint educational programmes. Proceedings of these activities are disseminated through the association via the EuroFM website, an annual conference, two EuroFM Meetings hosted by members and through newsletters, research papers and publications.[15]

In the Netherlands, EuroFM is supportive of local professional associations because the members of EuroFM are the professional associations, not the individuals. A facilities manager describes it as follows:

"An individual cannot be member of EuroFM because they say they don't want to compete with their local FM groups…….. So that's a difference because they will never compete with the local FM organizations or groups or foundations."

Role of all the professional associations:

To summarize, all professional associations try to professionalize the field of FM but there are some conflicts also among themselves. For instance, the representative of FMN does not consider another professional association to be an association. Similarly, some facilities managers consider FMN to be focused on operational issues and ignoring strategic focus. Also, the professional association are mainly interested in the professionalization of the field, in the dissemination of knowledge, ideas and best practices. In this sense, they are the means used by institutional entrepreneurs for constructing IFM. The professional associations organize seminars, conferences, publish field reports in collaboration with consultants and academics. In other words, they are more like platforms or means for facilitating the construction of IFM.

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[15] **EuroFM website (The text was browsed on 20th May 2011 at http://www.eurofm.org/about-us/about-eurofm/)**

Service Providers: the institutional entrepreneurs

The service providers are the organizations that are active in the IFM field. The IFM service providers could be of three types, as explained below by a consultant:

"Within IFM you can define three different ways to organize. First, there is the self delivery model. A (service provider) company delivers the management as well as the operations in house (itself). Second, there is the management model in which the service provider to whom you outsource has only management capacity in house and he further outsources (subcontracts) all the operations to different suppliers. The third way of organizing is more of a broker concept. You outsource your FM to a broker and he finds people how to manage that. We don't know the (last) model here in the Netherlands. In the UK this model is often used by management consultants. Johnson Control and Arcadis Aqumen are managing companies (second type). ISS is of the first type (self delivery model)"

The list of active service providers connected to IFM in the Netherlands till 2009 (Gijsbers and Van der Kluit 2008) is as follows:

        i-   Actys

        ii-   Arcadis Aqumen

        iii-   CSG

        iv-   Corporate Facility Partners

        v-   Dalkia

        vi-   D&B Integrated Facility Services

        vii-   Eurest Services

        viii- Facilicom Facility Solutions

        ix-   Facility Services Netwerk

        x-   ISS Facility Services

        xi-   Johnson Controls Global Workplace Solutions

        xii-   Prisma

        xiii- Sodexo Altys

        xiv- VINCI Facilities

The top three and biggest service providers in 2008 were Arcadis Aqumen, Johnson Controls and Sodexo Altys (FMN 2009). All these service providers are international companies. International service providers and international clients have been the spearhead in the field of IFM. The field of FM in the Netherlands has a history of being influenced by the multinational companies either as clients or as service providers. For instance, in the 1980s the move towards centralization of facilities services was started by the multinationals as described below by an academic:

"At that time, also in the Netherlands, the multinationals started to see that it was not a good idea, from a management and control point of view, to have all these separate activities. They decided to put them at least under the responsibility of a manager who had also a higher position in the organization. They concentrated all these activities. Basically there was an idea that if you did it that way, the magic of management would happen, the costs would go down and a lot of practical problems would be solved slowly."

A consultant also gives a similar view, but about IFM:

"It was all driven by the developments in the UK and in the US. So we have seen UK and US based companies doing it first in the Netherlands. IBM was the first case we had in the Netherlands. and after that BP and Sun Micro."

The service providers primarily target the consultants as intermediaries to the client organizations. A director at one of the service providers tells as follows:

"We mainly focus on consultancy agencies because they are the intermediaries. So they have to know what we can do for an organization which is intending to outsource. These intermediaries need to know what we are capable of. That's how it works."

An academic also explains how the links between top management (senior to FM executive) and the service providers are facilitated by the consultants.

"Its above the FM responsible person within an organization that these connections start to be established and I think the business consultants are facilitating that. A[consultant name] is facilitating that and B [consultant name] is facilitating that and I have no idea how that works. But I am convinced. Sometimes they drop little hints when I talk to them how this is going on."

The top management of client organizations proves to be interested in cost control and cost reduction (especially reduction in head-count). The role of consultants is prominent because they benchmark the cost of in-house facilities with outsourced facilities and have success stories of clients who outsourced facilities services. Academic research in the field of FM in the Netherlands also shows that service providers are more innovative than in-house FM departments (Mudrak et al. 2005).

A manager at a service provider firm gives his view how the field has changed over time.

"The field has changed because of the pressure from the top management in organizations and because of the role of the consultancy organizations. They started to benchmark and they benchmarked the outsourced clients compared to in-sourced facility management and said, 'hey you can achieve 50% lower cost and look what's happening.' It's our core business as service providers. We are developing tools and systems on a very higher level with very fast development. We have to, because we want to be successful. So we developed a fully automatic system of what you call Facility Scorecards for our clients and a single client could not ever invest that amount of money with that kind of knowledge to develop something like that. And if they had developed this it was already old because we develop these things for 150 clients and implement it and the lessons are learnt. So there is a continuous improvement. Not only on the level of cost but especially on the level of professionalism of FM. The service providers develop themselves and their profession quite fast".

The service providers could be labeled as the institutional entrepreneurs because they are really shaping the field of FM, including IFM, in the Netherlands. Here is what a consultant says about the role of service providers regarding IFM.

"The largest service providers like Sodexo, ISS, Compass were developing fast regarding IFM. ISS, a huge cleaning company 10 years ago, is much more developed into an IFM in the coming years. Sodexo is, for example, growing enormously in the field of FM. These companies are developing very

fast and not at the moment but from the last couple of years. And that has shaped the industry as well."

But the foreign service providers and their international clients were the path creators (initial organizations) with respect to IFM.

"It was all driven by the developments in the UK and in the US. So we have seen UK and US based companies doing it first in the Netherlands. IBM was the first case we had in the Netherlands and after that BP and Sun Micro."

Summing up, international service providers and client organizations were the original organizations who brought the idea of IFM in the Netherlands. These client organizations, especially their top management teams, were annoyed with lost control of costs and high headcount. Service providers provided a solution to that by offering high quality services at competitive rates. Besides that, they agreed to take over the employees of the client, which allowed the client organizations to cope with institutional constraints. The companies cannot just fire their employees because there is a legal protection. But outsourcing IFM provided a solution to this legal constraint. The service providers claim that the employees of the client organizations receive better career prospects because they move to an organization where FM is the core business. The consultants have also been important by benchmarking the costs of in-house FM with the costs of outsourced FM and by being an intermediary between the management of the client organizations and the service providers. Moreover, the service providers get legitimacy through success stories of their clients, benchmarks and memberships in professional associations. Service providers and consultants seem to support each other and they are the institutional entrepreneurs.

Suppliers

In this thesis suppliers are organizations that provide one or more operational facilities services either directly to the clients or indirectly through IFM service providers. They do not claim to be IFM service providers and do not manage overall FM for the client organizations. They are only concerned with the operational provision of facilities services.

Some suppliers have a specialty in providing specific facilities services. One facilities manager compares such kind of suppliers with IFM service providers as follows:

"But there are also a lot of cleaning companies, security companies, catering companies that have their own specialties and that are not working like ISS, Facilicom or Sodexo as IFM service providers. For instance, A [an IFM service provider] does cleaning, catering, security, landscaping from one company. A lot of smaller companies just do the cleaning, the security or the catering., For our organization, we say that we don't do business with the IFM companies because we think they are not integrated enough. We say that we want to do contract management for the internal customer and we choose from one of these single specialty companies because they are very good in serving specific companies, for example, banking companies. They fit better. This is our view."

The facilities manager goes on further as follows:

"Yes, they do things in another way; in a non standard way and that's why these companies are attractive to us. For instance, they are very customer friendly. We wonder what made them so special. Their way of approaching attracts us."

Consultants: the institutional entrepreneurs

Consultants are the organizations that help other organizations in making decisions and offer solutions to the problems experienced by the clients. The consultants are also members of different professional associations. The consultants publish market reports and trends in the FM market, partly in collaboration with professional associations, particularly FMN. Some of them are the members of Netherlands Facility Costs Index Coöperatie (an independent organization for facility cost research) and do benchmarking and comparative costs studies in the field. Some of the renowned consultants in the field of FM in the Netherlands are Twynstra Gudde, Significant, Hospitality Consultants and FMH Facility Management. One of the consultants[16] describes what they do as follows:

"Working together with our clients, we develop and implement customized strategies for their facility management. Our areas of expertise in this field include Organization, Purchasing, Outsourcing and Contract Management, Project Management and Interim management."

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[16] *Twynstra Gudde website (The text was browsed on 23rd May 2011 at http://www.twynstragudde.com/tg.htm?id=8626)*

The consultants play a vital role in the social construction of IFM in the Netherlands. They keep an eye on the market and try to create market for new products and services; IFM is one of the new services. They are not always the creator of innovations but they can propagate a new practice and make it acceptable in the field. IFM was, at least in the Netherlands, not created by consultants but they played a role in its social construction. This is suggested through the quote of a consultant as follows:

"I attended a conference in Barcelona approximately 13 years ago and in this conference a case study was presented by Johnson Controls how they became responsible for FM within IBM in the Netherlands. Coming home in the Netherlands I immediately wrote an article in one of the most important magazines in the Netherlands in which I stated that everything would l change within 5 years. We thought that service providers like Johnson Controls (and we had at least 5 other names), would l come to the Netherlands and everything would be outsourced to them. Well that was not happening at least within 5 years time. Still, we had some cases in all these years; very few cases. May be 5 to 10 contracts in a time frame of 10 years. So nothing was happening fast but the last couple of years 3 to 4 years most of the large corporate companies are interested in this way of organizing FM. So, they all do studies, they all outsource; they all are looking for parties. So it's a very positive and popular way of organizing FM in the last couple of years especially for the middle to large sized companies. Not for the smaller ones and not for the government, educational facilities. Its only the private sector."

They organize conferences, seminars and workshops in order to create awareness and a market. For instance, the facilities manager of a big organizations describes the situation as shown below:

"You see seminars, for instance, at Kluwers (a consultant). They just want to pick up the trends for which topics they get all the seats sold. But you see now serious training institutes have a real course on that part. What you see is that there are sponsored courses. When you look at Kirkman (again a consultancy) who are in sourcing business, they are making sponsored courses with ROI (Regionaal Ondernemings Instituut),with Arcadis (a service provider), with IFMECs (a professional FM training institute). I have seen them with hospitality consultants. I have seen them with Twynstra Gudde (a consultant). I have seen them with ROI. And with those companies who want to have a market they are organizing seminars about demand management. The suppliers say we have a

missing link in the market. We give a seminar for free or at a low budget. First of all we can try to educate our future customer and we are also contacting new leads because if you go to such a seminar perhaps you are interested in outsourcing your FM."

Another consultant tells about a similar workshop:

"To be honest, we are working on it for already more than a year to get managers together who have already outsourced their FM to IFM companies. We call it the IFM council to bring people together who have experience with outsourcing to a main contracting company or IFM provider.

Another consultant reveals how they have been creating awareness (cognitive legitimacy) about IFM and how they bring international influence (knowledge, experience) in the Netherlands through study trips:

"We, 6-7 years ago, made a platform for IFM just to give more information to the market, ' what the IFM is' and would name some cases and there were service providers together with consultants in this platform. They were active in this field for promoting IFM and sharing, etc. Yeah, we have been organizing meetings at least 3 or 4 times a year. Sometimes for the providers, sometimes for outsourcing companies and sometimes for both in which we discuss this specific subject in this whole process. All have focused to professionalize this way of solutions. We are also organizing a study trip to Sweden and Finland in September 2010 for 30 private sector companies and we are going to look to the solutions in the field of IFM in Sweden. For example, how has Ericsson outsourced everything in Europe to Johnson Controls? How have they organized this? How have they organized the demand and supply organization? What kind of control systems are they using?"

Yet another renowned consultancy organization describes a similar collective effort by the interested actors (service providers and consultants) to socially construct the IFM in the Netherlands.

"This is a sector solution which is upcoming right now. But it is not very professionally organized right now, you know. Its developing slow but it has to professionalize much more in the coming years. That's what is happening at the moment. For example, we had a meeting here last week with eight of the larger IFM service providers talking about the human relations part in this phase. What

kind of words do we use? What kind of solutions do we look for in this phase regarding human resources? Normally 5-150 people are transitioning from one company to another. We don't have a common language for this part of the process. So that all has to do with professionalizing the way how to it works and how we do business with each other."

But the collective actions have not been very much successful and the social construction of IFM has been slow because the service providers hesitate to share information of their clients. There is lack of a common language and of professionalism. For instance, one consultant assesses the situation as follows:

"There was a 'main contracting' platform where all providers were working together. We were in that platform as well. We came together 3 or 4 times a year and it was not a big spin off because they all had their own cards, their own interest and their own way of going to the clients. For instance, Johnson control is looking for the fortune 500s and ISS is aiming at everyone in Holland. The main contracting platform does not exist anymore. Simply because you spend time and money and come together and say, 'I don't tell you my clients and you don't tell me your clients'."

An academic also provides for an explanation why the development of IFM has been sluggish in the Netherlands:

"The service providers are coming up with new flashy terms. People who should get convinced about the viability and the value of the idea have no clue of all this and then these two groups (service providers & client organization / facilities mangers) start to talk to each other. I feel very strongly that this is one of the reasons why adoption of the IFM idea is going slowly in the Netherlands because there is lack of professionalism on both sides. I mean the providers are stupid by doing it like this and the clients are not keeping up with all the change."

The consultants have made a of ranking of service providers as A, B and C.

Summing up, the consultants are also institutional entrepreneurs. They organize seminars and training sessions for service providers, client organizations and facilities managers. They have made an IFM platform and an IFM council and do international study tours and visits in order to spread knowledge and to gain acceptability (legitimacy) of IFM in the

Netherlands. The process of social construction of IFM has taken more than a decade because of the lack of knowledge about IFM and difficult cooperation between service providers and consultants and among consultants. But many companies have adopted IFM and many now articulate that they plan to adopt IFM governance.

Academics

The academics include the people connected to the education and research of FM in the Netherlands. University of Wageningen, the Netherlands has a special chair in Facility Management within the Department of Management Studies since 1st January 2000. Every year approximately 8 students complete graduate research in FM and some of them start a PhD project (FMN 2009). This chair is jointly sponsored by FMN and a number of organizations. These organizations include service providers, client organizations and some other organizations. The academics also publish both in academic and professional journals and magazines. On the education side, in addition to Wageningen University there are universities of applied sciences (Hogescholen) in the Netherlands. These universities of applied sciences produce around 1000 FM graduate students annually (Heleen, Visser, and Wiedemeijer 2009) and they also conduct some applied research in FM.

In house facilities managers

The facilities managers are people working in the facilities departments of the organizations. These facilities managers might occupy different hierarchical positions in the organizations such as in the higher management ranks reporting to the board or as heads of facilities departments, or middle management, or as lower management taking positions as team leaders or coordinators (Heleen, Visser, and Wiedemeijer 2009). Almost 89% of all the facilities managers have a higher education; their level of education has increased (Heleen, Visser, and Wiedemeijer 2009).

When an organization chooses to have IFM, most of the employees including managers in its FM department are transferred to the service provider. The facilities managers may keep their knowledge up-to-date through reading professional magazines (such as FACTO, FMI, FMM), through participating in facilities research, by being members of FMN, through

participation in FM conferences, by (electronic) information from FMN, books, education and virtual networking (Heleen, Visser, and Wiedemeijer 2009). As per "De Facilities manager Regisseert 2009', the most important item for the facilities managers (54%) is to enhance the insight and management of the facilities organization i.e. to get the facility organization 'in control'. The other important developments (ibid) points are realizing more linkage of the facilities with primary process of the organization (42%), and facilities organization innovations through launching new products and services (32%).

The decision to outsource IFM is normally made at the board level. The head of the facilities department does not have full freedom to decide regarding IFM. In some cases, facilities managers may also make recommendations to the board for moving towards IFM. For instance, considering the changing situation, in-house FM professionals of one big organization themselves proposed IFM to the board:

"We put this on agenda. Our company is shrinking in volume (number of employees) and also by number of buildings. So we need less office space."

The service providers and consultants think the problems they experience with IFM clients is that the in-house facilities managers are afraid of losing control and that they lack professionalism. The following quote is from a service provider:

"Well they (clients) are afraid of losing control. They are afraid of giving away possibilities to control their related services. They want to be in control. They would say the only reason FM is working in our company is because they control everything. We have to convince them that that's not true. You can have us doing that and still be in control. It's another way of control. That's why you see they feel threatened about their jobs. We take over their jobs and for the board members that's fine. The board looks at only cost savings, decreasing headcount, etc. It's all fine. But now you see that larger companies like KLM, KPN are outsourcing and the next phase is that multi-site companies are outsourcing and the next phase will be that smaller companies will outsource as well. What we see now in the requests for proposal (RFPs) is that they are building a control network on one hand and on the other hand they want to outsource their services. But if you outsource you are losing control but you get another way of control back. That's why the people have to get used to it."

The consultants also agree with the service providers that the problems lie with the client organizations, particularly with respect to the issue of control. It's a kind of theorizing where service providers and consultants link problems of IFM with the client organizations. Here is an opinion of a consultant:

"The most important issue is that the clients until they outsourced they were not only responsible for 'what is delivered but also 'how' it is delivered. The 'how' goes to the service provider and it should be up to him 'how' to deliver the services. It is in the nature of the people that you know how it could be and you know your own way of working and its difficult part to leave this thing to the supplier."

Another service provider:

"There is an issue that also depends on the professionalism of the clients. Is the client able to perform professional demand management? Because that's not FM; we are taking care of FM. To control at a higher strategic level on all non core business activities is a new profession. It comes with outsourcing and if an organization outsources FM in an integrated way to a company, in some cases the facilities manager is still our contact person of the internal clients but we are on the same level. It's never going to work. They have to have different roles as demand manager."

But some facilities managers think that the service providers are not keeping up their performance. As depicted by a facilities manager:

"What I have heard all around is the failure in keeping their performance. They tell you much more nicer stories than the real ones. The real story what I hear in our information gathering is that they are not in the pain level but in the irritation level. As long as the clients are in the irritation level they keep the suppliers. It's not in a constant satisfaction level. Most of the companies are disappointed by the average performance of the service providers. And also they promise you much more than they actually sell in the field. The sellers and the marketing managers are telling a different story than when the contract is in. You sign the contract and you don't see him anymore. The people who have to do the work are coming and sometimes they don't have a sense of what is going on. Sometimes I discovered that they even don't know what their boss has agreed on with me. I have noticed that the site manager does have the knowledge about the contract agreements. That's of

course a disappointment. On the office part we try to outsource to a renowned service provider but they don't even understand what we need. You should talk to the guy at (a renowned organization) organization X. They just ended their contract with the main contractor (IFM provider). Now they say we have tried with the main contractor .They say it's a big disaster and now they are going to do it themselves."

IFM is supposed to improve governance but it also entails new governance issues, for instance, the issues of control and professionalism mentioned above. Almost all the actors (facilities managers, service providers, consultants, etc.) agree that there is a lack of experience in dealing with IFM as a new governance form. For instance, a facilities manager explains as follows:

"One of the biggest problems is that there is no professional demand management. In my perspective, demand management is immature. Everyone is searching how we should do that, what are logical KPIs, what are ingredients necessary to have a good relationship with the partner who is organizing our FM."

A consultant also portrays the problem with IFM governance:

"We are still looking for the way to get their knowledge and experience close to the rest of the world. The clients want to sit in the chair of the service delivery company. They want to control how the service should be delivered and their focus should be on translating business needs into what should be delivered. So they must be professionally translating the business needs instead of telling how the service should be done. They are looking for trust but they are not trustful themselves. So they want to have a lot of KPIs to measure if the provider is doing well."

Another consultant also describes his experience:

"What we often see is that the outsourcing company is defining KPIs and the way to measure them which is really thinking from one organization and which is not focused on working together. Well, Companies do outsource much more now-a- days but getting control of the service providers may be one of the most important issues at the moment. So that's an issue. Really a huge issue at the moment"

Client Organizations

The organizations that have already adopted IFM or would like to adopt IFM are the client organizations in this research. The initial adopters (and designers) (client organizations) were very important in the process of the social construction of IFM because these early adopters became precedent in the field; other organizations then followed. Similarly, the early service providers, particularly the international ones, have been very pivotal in the initiation of social construction of IFM. The service providers expected and still foresee a market for IFM and are interested in an increasing legitimacy and a wide spread of this new practice. The service providers theorize the problems with prior governance mechanisms and explain the benefits of the 'new' governance form (IFM). They use the initial adopters (that are usually big and famous companies) to legitimize their claims. Amongst the very first of such client organization in the Netherlands was IBM. This is expressed by two people, i.e. a renowned facilities manager who is an active member of a professional association and a consultant who working in a renowned consultancy organization in the field of FM. The consultant states:

"I attended a conference in Barcelona approximately 13 years ago and in this conference a case study was presented by Johnson Controls about how they became responsible for IFM within IBM in the Netherlands."

The facilities manager recalls that the first case of IFM in the Netherlands was IBM. He says:

"IBM was one of first companies which had totally outsourced in 1994-95. This is the first company I know."

He further explains that the reasons for such a decision by IBM were flexibility and reduction in headcount.

"In 1995, during a golf course somebody asked me what I was doing. He was the general manager at IBM and he was busy with the process of starting with Johnson Controls as their integrated facilities manager. But the most interesting perspective is that IBM was in downfall and they had to cut costs and they wanted to make their costs flexible and their main goal was actually much more the shareholders' value. They said we can make fixed costs in personnel variable so that we can satisfy our shareholders in accounting. That was true, actually. After the outsourcing, Dutch IBM value rose because they cut off about 350 full time equivalents (FTEs). The shareholders were very satisfied with it. They said, wow, you have made cost flexible.. So it started with that. You see, the whole IFM started from much more international companies that are more inclined towards shareholders value. That's why I always said. "when is the urge to outsource more?". It depends in what kind of situation you are as a company. If you are much more sensitive to the international, global market (downfall / recession / growth) you have more need to become flexible. If you have a huge fixed cost (200 or 250 own staff) that is difficult especially in Dutch Law. If I want to get rid of somebody I'll have to pay 2 years of full payment (salary) to that person. That's of course a lot of money. Companies in Holland make cost flexible like this (for instance, Netherlands Railways, KLM, etc.). Just before the merger with Air France, KLM outsourced 300 people only to have a better negotiation with Air France."

The big and multinational organizations are interested in IFM; the medium or small organizations are not. A facilities manager's views on this are as follows:

"The original start was from the companies like Philips and multinationals themselves and not from the market. This is very important to say because KLM wants to outsource the personnel and the whole system and look at the market who can make the best fit and not the other way around. Only the largest companies like KPN look at the market to see who is interesting for their business. When you look at the small and medium organizations, there is no company at all that is looking at outsourcing."

An academic also comments on two major players that shape the field of FM in the Netherlands:

"The FM group as it exists at the moment to some degree is always part of two powerful forces. One is the clients. Either the clients in terms of the boards taking decisions about them or we see a development towards, particularly with multinationals, that it's no longer the board but major business units who have a tremendous influence on what the FM department can do. And on the other side tremendously powerful service providers who have actually the power to innovate and drive the field. I think they are the driving forces."

Since some major organizations in the field have adopted IFM and most of them have been successful, mimetic isomorphism could be seen in the field as other organizations are adopting IFM. A facilities manager in a big organization explains the mimesis as follows:

"This is new for us and this is also new for facility management in the Netherlands. There are only a few companies of this size that did this. A lot of companies are thinking: hey if they (a renowned company) can do this, why can't we? So I know that KLM did it, Shell did it. So I know my colleagues there. They are ahead in this process. So, of course, we talk to each other. I meet them and am trying to learn from them. If they made a mistake, I try to avoid that. Sometimes, they say well we did not do this and they are quite curious about how we did this, for example."

Another facilities manager explains that he plans to move towards IFM in the future and legitimizes his future outsourcing decision because other famous organizations are doing that:

"I am glad that I started outsourcing in the beginning of 2000 and now I am moving towards a demand organization what NS and KLM and all those companies are doing. We are forming a small demand organization to make our costs flexible. Our main focus is on contract and account management"

The mimesis is not only local but also global. The consultants, facilities managers and service providers look at international examples, make trips and seek to copy them in the Netherlands. A consultant gives an example of this:

"We are organizing a study trip to Sweden and Finland in September 2010 for 30 private sector companies and we gonna look to the solutions in the field of IFM in Sweden, for example. How has Ericsson outsourced everything in Europe to Johnson Controls? How have they organized this? How have they organized the demand and supply organization? What kind of control systems are they using? We visit like SAS. They have outsourced everything to a local company. Why and how have they organized this? What's the scope of services? So it all has to do with looking into the world and how different countries find different solutions for the same issues."

A facilities manager also describes his experience of Sweden with an example:

"In December, I was in Stockholm. There is a company in Sweden called Core Services Management. Its consists of about 200 consultants coming from McKenzie company, from KPMG, coming from all kinds of services brought together in one company and what they do is if a company, asks for investigation on their services, in the first place they make a very thorough examination of how the company works, what's the policy of the company, what the primary process consists of and then they make an offer to change to IFM. What they do is that they are a kind of broker. They choose firms that fit the company profile. Local service provider do not do that because they say we have all these things in our company already so we give you a complete package."

Summing up, this section has shed light on the instrumental rationality of the actors in the construction of IFM in the Netherlands. Service providers prove to be important institutional entrepreneurs, along with consultants. They strategically respond to institutional pressures. They remove institutional constraints that potential clients experience when outsourcing IFM. They succeed in making consultants their allies. Inter alia by providing benchmarks, consultants to some extent theorize the field. Early service providers, particularly the international ones, have furthermore been very pivotal in the construction and reproduction of IFM. There is also mimesis in the sense that other organizations follow the first adopters. In order to enhance reproduction, the service providers deliberately use early adopters as examples.

The following section goes deeper to find out why the field has changed in such a way and what is the influence of institutional logics regarding IFM.

5.3   Why is the field changing?

5.3.1. Introduction

The above part explained the instrumental rationality of how the new governance form has emerged in the field of FM in the Netherlands. It also revealed the role of some actors as institutional entrepreneurs and the apparent reasons for the adoption of IFM in the field. However, in order to understand why the governance has been changing in such a way, we need to look at the institutional rationality that has influenced the cognition and decisions of the field participants or actors. Instrumental rationality valorizes the autonomy of individuals to take decisions in ways that strategically serve their material interests (Lounsbury 2008). For instance, the consultants and service providers did well in creating a market for IFM. But explanations drawing on instrumental rationality give a picture as if the actors are free from the influence of existing institutions and as if they have independent interests. In order to incorporate such influence in the analysis, the notion of institutional rationality is introduced. Institutional rationality is a collective rationality that guides individual behavior and that is beyond the discretion of an individual or an organization. It stresses the influence of broader structures of meaning without being deterministic (Lounsbury 2008). This perspective highlights the prominence of the institutional logics that prevail in the field of FM. Institutional logics are, "the socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space and provide meaning to their social reality'' (Thornton and Ocasio 1999; p.804). Institutional logics delineate the contents and meanings of institutions. This approach focuses on the effects of differentiated institutional logics (instead of isomorphism) on individuals and organizations in a larger variety of contexts, including markets, industries and populations of organizational forms (Thornton and Ocasio 2008). Institutional logics shape rational and mindful behavior and individual and organizational actors also shape and change the institutional logics (Thornton 2004). Thus, the institutional logics provide a link between institutions and actions, that is, situated forms of organizing are linked with beliefs and practices in wider institutional environments (Thornton and Ocasio 2008). The logic comprises a set of material practices and symbolic constructions and is the core of each institution. The logic forms the organizing principles of

an institution and helps organizations and individuals in their activities (Friedland and Alford 1991). The institutional logics are contradictory and may change over time. The core institutions of western society are the capitalist market, the bureaucratic state, family, democracy and religion, and each of these institutions has a central logic (Friedland and Alford 1991). The typology of the core institutions was further developed by Thornton (2004) who demonstrates that the western societies are composed of six societal sectors- the market, the corporation, the professions, the family, the religions and the state (Thornton, Jones, and Kury 2005). Because the institutional logics of the aforementioned institutions are inherently contradictory, such institutional contradictions may serve as the bases for the most important political conflicts and institutional change. Individual, groups and organizations may exploit these cultural resources and institutional contradictions to transform institutions. The institutional logics approach emphasizes that individual and organizational behavior can be understood when such a behavior is located in a social and institutional context that both regularizes behavior and provides opportunity for agency and change (Thornton and Ocasio 2008). The logics converge the attention of the key decision makers on a delimited set of issues and solutions (Ocasio 1997).

5.3.2. Historical developments

As mentioned in chapter 2 of this thesis, this research draws upon different sources of evidence i.e. field documents & reports, interviews and academic research in the field of FM. The research articles (from 1995 till 2010) and field documents were important in reflecting on the historical development in the field of FM in the Netherlands. In addition, some other academic articles about FM in Finland, the UK and the USA were included in the analysis.

Prior research on organizational governance focuses on understanding changes in organizational design between markets, hierarchies and networks (Thornton, Jones, and Kury 2005). However, the institutional logics at wider societal levels have an effect on the organizing principles and strategy of action for organizations (Greenwood and Hinings 1993) including the governance forms. Organizational governance contains the mechanisms used by firms in coordinating economic activity (Jones, Hesterly, and Borgatti 1997). In

order to study the institutional change in governance (in this case the emergence of new governance form i.e. IFM), we studied the history (academic articles, field documents and reports) of the last two decades. The historical analysis helped in identifying the institutional logics prevailing in the field of FM. The research was further supported by interviews with different actors in the field. The focus was on the institutional entrepreneurs and the change in both form and thought (rationalized meanings and myths) of governance over time. Besides, it was examined how different forms of governance (FM staff department, SSC or IFM) relate to the dominant logics in the field of FM in the Netherlands and how the wider societal level institutional logics influence the FM field logics and the organizational governance decisions.

This research revealed that there are two prominent logics in the field of FM namely, the logic of rationalization (cost reduction) and the logic of professionalism. The logic of rationalization has been dominant in the field. This logic is connected to wider societal logics of market and corporations. This logic has influenced the governance decisions in the field of FM since the arrival of the concept of FM in the 1980s and during the period under investigation. For the purpose of identifying the logics of the field we used various documents from the field of FM, particularly the academic research in the Dutch field of FM. Studying the historical developments, different forms of governance were found. The following table (11) gives the history of developments in the Dutch field of FM and the emergence of different forms of governance:

Table 11. An overview of historical developments and related governance forms

Time period	Developments / Events	Forms of governance
Pre-1980s	- Real estate and facilities management departments were founded because of expansion in the business activities (mass-production & growth) in the first few decades of the twentieth century (Krumm 2001). - Continuous growth, internationalization and transformation of traditional functional structures into structures based on geographical distinctions (Krumm 2001).	- Centralized control of activities (Krumm 2001) - Consistent with structural changes there were corporate (central) as well as local branches. Such a separation also resulted in a division between 'operational' and 'strategic' activities' (Krumm 2001).
1980s-1990s	- The recession in 1970s contributed to the breakthrough of FM because it forced companies to manage costs more precisely (Barnhoorn 1995). Management had lost control by pushing down services (Barnhoorn 1995). In the beginning of the 1970s, rising competition and the increasing cost of doing business forced corporations to rethink their existing structures and strategies (Krumm 2001). - Theories of value chain and distinction between primary and support functions (Porter 1985) and concept of core competence (Hamel and Pralahad 1994), have been driving the companies to focus on their core business and outsource support functions like FM (Brat 1996; Jensen 2008). Financial control as one of the objectives of FM (Grimshaw 2003). - Trends such as back-to-the core, downsizing, outsourcing and right sizing (Krumm 2001). - Economic history of USA and UK and influence on FM, where the 1980s was the time of intermittent recession and consistently vigorous cost-cutting in FM and 1990s was the time of, for economic reasons, the rapid rise of outsourcing of FM functions (Duffy 2000). - Formation of IFMA and FMN (by the merger of ISM, FMZ and NEFMA). - Dutch market knew only single service suppliers and no suppliers of integral facility packages (Brat 1996).	- FM Department as 'traditionale beheerorganisatie' (without outsourcing or some outsourcing) or 'Regie organisatie' (with responsibility for FM and control of operational outsourcing in the hands of a FM department). For instance, Dutch Municipalities (Wagenberg 2003) and DSM- a medium sized international chemical corporation in the Netherlands (Brat 1996). - SSCs (internal or external outsourcing). For instance, Shell Services International (SSI) in 1995 and Ahold's worldwide centres of excellence (Krumm 2001). - IFM / TFM (One example in the mid 1990s where a multinational company (IBM) in the Netherlands had an IFM contract with an international service provider (Johnson Controls)).
2000-2009	- The outsourcing grew in this decade. The outsourced market size was 63% in 2009 as compared to 57% in 2000 and the outsourced market growth index shows a growth of 8% during the last 9 years (Gijsbers, Van der Kluit, and Spijker 2010). - The FM market grew first but after the financial crisis it declined. So the overall decrease (from 2000 till 2009) is 1% (Gijsbers, Van der Kluit, and Spijker 2010). - Growth in the number of local and international service providers and suppliers. The number of service providers grew from 22, 452 to 25,666 during this decade (Gijsbers, Van der Kluit, and Spijker 2010). - Financial crisis increases the cost reduction pressures. 61% facilities managers had to reduce cost in 2010 and the average cost reduction was 10.5% of the budget. Similarly, 77% facilities managers selected facility service providers based on price (Gijsbers, Van der Kluit, and Spijker 2010).	- FM Department / Regie organisatie (with responsibility for FM and control of operational outsourcing in the FM department) and demand management organization. For instance, Tata Steel (Corus). - SSCs (internal or external outsourcing). For instance DSM's Facility Management Internal-FMI (Brat 1996). - IFM / TFM (more organizations adopting the concept such as NS, KPN, Philips, KLM, etc.

As it can be seen from the above table (11), historically the field of FM has been influenced by the logic of rationalization, i.e. cost reduction. The logic of rationalization has been dominant at least since the 1980s. The companies experienced competition, recession and an increase in the cost of operations on the one hand, while on the other hand theories that supported the rationalization emerged, for instance the theory of the value chain, entailing a focus on the core and the outsourcing of the non-core. Similarly, the idea of having an FM department with a responsible manager implied imposing financial control. Many authors consider cost control to be an important task of facilities managers and some define FM as an economic function concerned with ensuring an efficient use of physical resources by controlling cost (Duffy 2000; Grimshaw 2003). History shows that a business environment that is focused on an adequate return on capital has impacted the practice of FM towards cost control and outsourcing over time (Duffy 2000). For instance, a Dutch study (cited in Van Wagenberg, 1997) on outsourcing (Groeneweg 1996) indicates that cost reduction was the main motive for outsourcing. Similarly, one of the objectives of FM is to facilitate work in an efficient way and contain cost (Wagenberg and Vogel 1993). The benchmark studies also reinforce the logic of rationalization because one of the major purposes of benchmarking is to compare costs and take appropriate actions to reduce cost and to become efficient. The latest cost reduction pressures and financial crises has strengthened the logic of rationalization. For instance, in 2010, 61% of the facilities managers got cost reduction targets of (average) 10.5% from their managements.

The dominance of a logic of rationalization is consistent with the observation that the organizations themselves are the main drivers behind the development of FM (Wagenberg 1997). The big organizations are also, in most cases, multinational and come in contact with different fields and logics (Greenwood and Suddaby 2006) . Moreover, the logic of rationalization is acceptable to and is compatible with the market and corporate logics. That's why such organizations are often looking for ways to rationalize the non-core and enhance shareholders' value. This is because the logic of rationalization is connected to the broader societal logics of market (shareholders' value) and corporation (profitability). The pressure to enhance profitability has included pressure to reduce costs (Krumm 2001). One interviewee (a facilities manager) explains how the rationalization logic guided the IFM

decision of the first (or one of few initial organizations) international organization (IBM) in the Netherlands.

"You see the whole IFM started from much more international companies that are in a connection of shareholders value. Companies in Holland make cost flexible like this (for instance, NS, KLM). Just before merger with Air France, KLM outsourced 300 people only to have a better negotiation with Air France. Flexibility and cost reduction are the drivers in a lot of companies."

An academic also explains the prevalence of the rationalization logic:

"For the multinationals, it was very difficult to control and know what they were spending in FM. This was an overhead and the overhead was growing. So a lot of emphasis has been on the cost side."

5.3.3. Contrasting the logic of rationalization with the logic of professionalism

Unlike other professions, FM is a non-core, relatively young and developing profession. The FM profession has developed although rationalization has been the dominant logic in the field. The trend towards outsourcing multiple services to a single service providers is growing (Lehtonen and Salonen 2006).

The following table (12) gives a summary of the broad characteristics of these two logics:

Table 12. Field Logics

Logic of Rationalization	Logic of Professionalism
- Efficiency and economies of scale - Financial control and cost containment - Benchmarking - Transparency - Standardized solutions (Duffy 2000) - FM as a business - Increasing profits - Building a competitive position - Capital committed to market return - Market as a control mechanism - Reduction in headcount - Shareholders' value - Profitability - Facilities managers speak the language of suppliers (Duffy 2000)	- Professionalism is the ethical use of knowledge in the context of action- Francis Duffy cited in- (Alexander 2003) - FM is a value addition process to the whole supply chain (Alexander 1999) and value addition is about optimization rather than only cost cutting (Roberts 2001). - Managers overlook the strategic potential of FM in overall competitiveness because they perceive it to be an outsourceable non-core (Mudrak, Wagenberg, and Wubben 2005). - Professionalism is about a specific knowledge base and skills, high self control via code of ethics and recognized social responsibility to address the legitimate needs of all the stakeholders in the workplace (Grimshaw 2003) instead of shareholders only. - Users interests and needs be put first and cost cutting to be put in the context of greater effectiveness (Duffy 2000). - Lack of professionalism creates a rigidly cost controlled workplace (Grimshaw 2003). - Balance to be struck between traditional profession and new business environment which is shaped by global forces (Grimshaw 2003). - An integral approach to FM which means a better understanding of total costs, of the complexity of facility process and emphasis on the contribution of FM to working and living conditions (Brat 1996). In outsourcing the working regime becomes more severe (ibid). - Performance issues and service providers don't understand the needs of customers. Focus of service providers is on short term earnings.

All the actors in the field subscribe to the logic of rationalization, but facilities managers and academics also view social and ethical responsibility (logic of professionalism) as an important factor. The institutional logics embodied in the professions are antithetical to the goals and means of corporations, but the institutional logics of markets are complementary to the goals of corporations (Thornton 2002). There is some tension between the logic of rationalization and the logic of professionalism. But this tension has also helped the FM profession to grow and innovate. The pressures to rationalize and reduce cost and become flexible have led to innovative approaches to managing the facilities that support the

business (Alexander 2003). The severe commercial and competitive pressures on business have in a way increased the practical relevance and significance of FM to the organizations because the organizations have to realize cost savings and have to focus on the core to be competitive (Pathirage, Haigh, Amaratunga, and Baldry 2008; Sullivan, Georgoulis, and Lines 2010). While at the one hand the focus is on core and reducing cost, at the other hand the facilities are no longer of marginal significance (Pathirage et al. 2008). Thus, the logic of rationalization dictated by the economic environment has also helped the professionalization of FM. Therefore, the tension between the logics (rationalization and professionalism) has somehow facilitated the development of the profession. Yet, the logic of rationalization remains to be dominant. The latest FM market report suggests that the criteria for selecting the service providers have become tougher in terms of more focus on price (cost savings) (Gijsbers, Van der Kluit, and Spijker 2010, p.68,74,100). This is further enhanced by financial crisis pressures. Moreover, there is some criticism about the degree of professionalism.

Professionalism has been voiced over time but it remains frail. There have been suggestions that corporations should go beyond sheer operational efficiency and that decisions regarding an in-house department or external service providers should be made on the basis of best services delivered. It is about effectiveness, users interests, social and ethical responsibility and better living and working conditions. A rigidly controlled work place displays a lack of professionalism.

So there is a conflict between these logics though the logic of rationalization has been dominant since 1980s. The facilities managers speak the language of suppliers rather than users and the profession has not invented and delivered the emerging needs (Duffy 2000). FM claims to be strategic but most practitioners work at operational levels; FM wants to be at the heart of the organizational development but many FM services are delivered either by external consultants or in-house teams set up as internal consultants; FM claims to be proactive in managing change but it is reactive in most cases (Ventovuori, Lehtonen, Salonen, and Nenonen 2007). The main body of the existing market research focuses on the supply side of the market especially on the main FM suppliers' market. There is a big gap of

knowledge about the demand side of the FM market across the whole Europe (Moss 2008). FM is under-researched and is at an early stage of its development (Nutt 1999; Ventovuori, Lehtonen, Salonen, and Nenonen 2007). In academic terms, FM is a comparatively new subject area or a field that has grown out of diverse interests from different subjects. It is not an academic discipline in a conventional sense (De Bruijn, Van Wezel, and Wood 2001). The greater difficulty with FM is that the core subjects of FM were less clearly defined and remain to be so and much emphasis is placed on mutlidisciplinarity and vocational relevance of FM to the industry (De Bruijn, Van Wezel, and Wood 2001).

The growing dominance of cost control (rationalization) as a major function of FM has been seen as problematic for the practice of FM (Grimshaw 2003).

5.3.4. The presence of different governance forms and the logic of rationalization

The logic of rationalization is expressed in different forms of practice. In the Dutch field of FM, the logic of rationalization legitimizes all the current popular forms of governance i.e. an FM department (Facility Management Organization), an SSC or IFM. All the proponents of these governance forms claim efficiency or cost savings to be the major objectives. The multinational and big national organizations are more inclined towards IFM. Small companies, government and non-profit organizations don't consider IFM to be an appropriate choice at the moment. A consultant explains it as follows:

"For the last couple of years (3 to 4 years) most of the large corporate companies are interested in this way of organizing FM. So they all do studies, they all outsource; they all are looking for parties. It's not popular for the smaller ones and for the government, educational facilities. It's only the private sector."

5.3.5. Problems with IFM

Another consultant tries to explain why IFM might not be the solution for all the companies:

"Well IFM is not the best solution and is not always the best solution. I have many examples where all options are good."

IFM may result in loss of synergies if the service provider does not utilize all its competences and/or the in-house unit does not possess the best competence in the market (Ventovuori 2007). This drawback of IFM is theorized by both service providers and the client organizations when they blame each other for not being professional enough or being too much focused on control. The service providers and consultants relate the problems of governance to the in-house facilities managers. In-house facility mangers do the opposite.

The service providers and consultants connect the problems to the clients and they think the client organizations do not want to lose control and they are not professional. For instance, a consultant describes it as follows:

"The clients want to sit on the chair of the service delivery company. They want to control how the service should be delivered and their focus should be on translating business needs into what should be delivered. So they must be professionally translating the business needs instead of telling how they should do the service."

But some facilities managers think that the IFM service providers are not professional enough and the average performance is disappointing.

"Most of them are disappointed in their average performance. They promise you much more than they actually sell in the field. The sellers / the marketing manager is telling a different story than when the contract is in. You sign the contract and you don't see him anymore. The real people are coming and sometimes they don't have sense of what's going on. Sometimes I discovered that they even don't know what their boss had agreed on with me. I have noticed that the site manager does have the knowledge about the contract agreements. That's of course a disappointment. On the office part we tried to outsource to a renowned service provider but they don't even understand what we need. One of my friends in a big organization has just ended their contract with the main contractor (IFM provider). Now they say, 'We have tried with the main contractor – renowned one'. They say that it was a disaster."

5.4 Towards an extended framework

Based on the field insights and analysis, the following figure (8) can be drawn.

Figure 8: Field Insights and Analysis
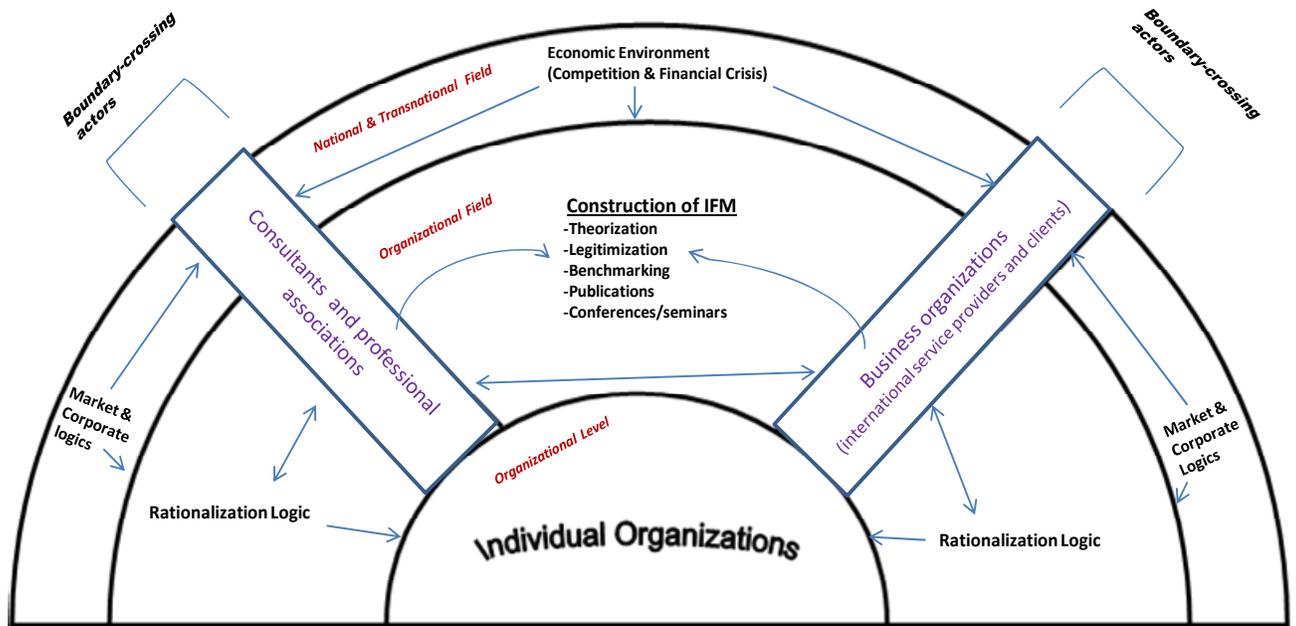
The above figure (8) differs from the theoretical framework (figure 6, chapter 4) in a number of ways. First, the theoretical framework in chapter 4 is focused only on the instrumental rationality of professions and professional networks. It does not talk about the influence of logics and societal institutions on the actions and strategies of the actors. In other words, it is silent about institutional rationality, institutional logics and their effects on the cognition of different actors in the field. The dominant logic of rationalization is connected to broader logics of markets and corporations and this logic has been very influential in the emergence

and further spread of IFM in the field of FM. Secondly, as per theoretical framework the institutional entrepreneurs exist at field level and there was nothing about their links to other national and transnational fields. The field research and analysis (figure 8) reveals that some actors (institutional entrepreneurs) cross the boundaries of different fields and that they are connected to national and international fields and wider logics. Such boundary or field-crossing capacity enables them to disseminate new ideas and broader logics in different organizational fields. In this research, these field-crossing actors are the consultants, professional associations, international service providers and international client organizations. They are influenced by the global economic environment (competition, financial crisis) and the logics of markets and corporations, and they shape the logics of the local organizational field. For instance, the logic of the field of FM in the Netherlands is rationalization, which is compatible with the broader logics of market and corporations. The boundary-crossing actors, particularly service providers and consultants theorized the benefits of a new governance form (IFM), legitimated it with the success stories of renowned international client organizations and participated in benchmarking, publications, seminars and conferences. The professional associations were used as platforms in addition to their own networks. Thirdly, in order to cope with the economic environment different theories emerged during the last three decades. These theories also shaped the field. For instance, in this case the theories of the value chain, concepts of core competence and theories on outsourcing have been influential in shaping the understanding of the people and organizations towards rationalization. Fourthly, the framework did not consider the influence of the economic environment such as the financial crisis and competition, that also shape the organizational fields. Fifthly, the framework still assumes a dichotomy between the technical and the institutional environment which means that the organizations designing and adopting a new governance form at an early stage are interested in efficiency and the other adopter organizations are seeking legitimacy. But it is the institutional rationality and institutional logics that guide the decisions of both early and later adopter organizations and the institutional logics, in this case, reinforce rationalization (efficiency). Institutional logics determine what is or is not efficient.

It is noted that prior research (e.;g Lounsbury and Crumley, 2007) on institutional logics explains practice variation as the result of a change in institutional logics. But this research shows that new practices (such as new governance -IFM) may emerge without any change in the corresponding institutional logics because the rationalization logic has been dominant in the field over the last 2 or 3 decades, yet different governance forms and practices (FM staff department concept, SSC and IFM / TFM) emerged over time. Different practices may co-exist in the organizational field at a particular moment in time because they are all connected to the dominant institutional logics. Their appropriateness may be dependent on other factors such as size or ownership (private vs. public companies). For instance, in this research the big organizations find the IFM or demand management organization to be an appropriate governance choice, while governmental and non-profit organizations consider having a FM department to be an appropriate governance choice. As the research has shown that historically the logic of rationalization has been dominant, the variety of governance may not necessarily be because of different institutional logics. This finding has an implication for ITS, because the practices change though only one logic remains dominant.

It is emphasized that the contribution to the FM domain was not the primary focus of this research. Nevertheless, the above mentioned results of the field level research give a social and institutional reflection on the change in governance that might be of interest to the practitioners in the field of FM. By doing so it tries to expand the knowledge in the field of FM that up till now is dominantly focused on technical aspects of FM. This is particularly relevant because the logic of professionalism is not dominant in the Dutch field of FM , although there have been some ripples of professionalism in the literature. For instance, FM is about optimization rather than cost cutting (Roberts 2001) and the rigidly cost controlled workplace is because of the lack of professionalism (Grimshaw 2003). User interests and needs are to be put first (Duffy 2000) and professionalism is about a code of ethics and a recognized social responsibility to cater the legitimate needs of all stakeholders (Grimshaw 2003) instead of a shareholders only. In other words, the field of FM is focused on technical aspects of FM and on rationalization.

This research gives an alternative social and institutional view and pays attention to some of the ripples of professionalism in the extant literature on FM. This research also questions the all too positive impression of the practitioner literature about IFM and TFM. Only success stories of IFM are heard in the publications of the professional associations and other media. In this research it was observed that there are also failure cases and governance problems with IFM.

5.5   Chapter Summary

This chapter reveals that a relatively new governance form (IFM) has emerged over the last two decades. The field research revealed that some actors transcend the organizational field boundaries and that they are connected to national and transnational fields. Such actors bring changes in the governance in specific organizational fields into life, which in this case is the Dutch field of FM. These field-crossing actors are the multinational organizations that include client organizations, service providers, consultants and professional associations. Two of these field-crossing actors are prominent institutional entrepreneurs because they actively participated in the social construction of IFM in the Dutch field of FM. The local service providers and consultants followed the international ones. The professional associations were used as a stage to disseminate the ideas through conference and publications. In addition, the institutional entrepreneurs used their own networks and the initial adopters of IFM (international client organizations) as sources of success stories . This further reinforced the concept.

The analysis expresses how IFM has been socially constructed in the field of FM in the Netherlands over the last two decades. Powerful actors prove to behave instrumentally rational in changing an organizational field. But what enables the institutional entrepreneurs to behave instrumentally rational in changing governance? This could be explained by using the concept of institutional rationality which takes the role of institutional logics into account. This research (through a historical analysis of the academic and practice literature in the Dutch field of FM coupled with interviews) shows that the field of FM has been dominated by the logic of rationalization (reduction of costs) that is connected to broader logics of shareholders value (market) and profitability (corporation). The emergence of the theories of

the value chain, primary and secondary processes (core vs. non-core) and outsourcing during the last three decades reinforced the logic of rationalization. It has further been buttressed by the competition and financial crisis over time. Prior literature shows that practices change because underlying logics of the field change. But this research demonstrates that different practices (different governance forms in this case such as an FM department concept, SSCs or IFM /TFM) may survive and endure without change in the dominant logics because the governance forms are all compatible with the dominant logic.

Furthermore, as discussed before, the state of the art in accounting, which draws upon ITS, has mostly focused on isomorphism and diffusion aspects. But this study explicitly focused on social construction and non-isomorphic change.

The chapter also provides a social and institutional perspective for the FM academics and practical community although it was not the primary focus of this research.

CHAPTER 6: GOVERNANCE AT AN INTERFIRM LEVEL- A REVIEW OF THE EXTANT LITERATURE

6.1 Introduction

This chapter and the following chapter (7) reflect on governance at an interfirm level. As it was shown in the last chapter, IFM has become a popular way of governing FM in the Netherlands. When IFM is adopted, there are at least two organizations involved. These two organizations have to deal with each other as a result of the decisions made by the top management of each of these organizations. Interfirm governance is therefore closely related to the concept of IFM.

At the level of an interfirm relationship the extant literature considers management control and / or trust as relevant governance mechanisms. Therefore, this chapter reviews the state of the art in the governance, particularly related to the accounting research, of interfirm relationships.

6.2 Governance of interfirm relationships: theoretical basis and theoretical ambitions

There has been a rise of accounting and control studies dealing with interfirm transactional relationships during the last decade or so. One of the major drivers is the call from eminent scholars in the field that the scope of management control no longer confines within the legal boundaries of firms (Otley 1994) and that there should be a more thorough examination of the accounting and informational consequences of more explicit concerns with the management of supply chains (Hopwood 1996). These calls were in response to changing organizational realities, characterized by different forms of interfirm relationships such as joint ventures, franchises, joint research and development, long term supply relationships and outsourcing relationships.

In this section we will elaborate on the theoretical basis and ambitions. Particularly, we will theoretically explore the linkages between governance, (management) control, trust and power as follows:

6.2.1 Governance

Both control and trust in interfirm relationships may be placed under an umbrella of *governance*. The notion of governance includes the notion of control but it is a wider concept (Nooteboom, 1999). Nooteboom (2002) extended the concept of governance quite considerably to include issues of trust along with relational risks (Van der Meer-Kooistra and Scapens 2008). Governance, therefore, is a broad concept that incorporates both control and trust. Effective governance safeguards against the opportunistic behavior of the parties, facilitates coordination (Dekker 2004; Kumar and Seth 1998); helps in learning (Makhija and Ganesh 1997); and provides stability, predictability and adaptation mechanisms to an interfirm relationship (Gulati, Lawrence, and Puranam 2005; williamson 1991).

6.2.2 Control and management control

Organizational control has been defined as the processes by which organizations govern their activities so that they continue to achieve the objectives they set for themselves in an efficient way (Emmanuel, Otley, and Merchant 1990). It is a process of regulation and monitoring for the achievement of organizational goals (Das and Teng 2001; p.258). Management control includes all the devices or systems managers use to ensure that the behaviors and decisions of their employees are consistent with the organization's objectives and strategies. The systems themselves are commonly referred to as the management control systems (MCS) (Merchant and Van der Stede 2012; p.6). Management control as an important element of organizational control aims at influencing actors in order to enhance the effectiveness and efficiency of activities. This gives management control a strongly behavioral focus and a concern with the effect of behavior on outcomes (Merchant and Simons 1986). Though management control issues have been especially studied in the context of integrated organizations, there is a comparable set of problems in situations where independent organizations cooperate (Speklé 2001; Van der Meer-Kooistra and Vosselman 2000). The cooperation as such also forms, in some way, an organization, but one in which diverging interests could exist that cannot be managed within a hierarchical context. Therefore, management control is not restricted to relations *within* organizations with various degrees of decentralization of decision making (see also Otley 1994).

The control could be formal and/or informal. In building theory on the 'accounting-control-trust'-nexus, Vosselman and Van der Meer-Kooistra (2009) adopt Eisenhardt's distinction between external measure-based control and internal value-based control (Eisenhardt 1985). External measure based control is related to formal control and internal value based control is related to social control. It is suggested that through formal controls either the output of employees (output control) or aspects of their behaviors (behavioral control) (Ouchi 1979; Thompson 1967) are measured. So, formal control is linked up with external measure-based control. More generally, formal controls relate to the establishment and utilization of formal rules, procedures and policies to constrain and/or monitor and reward desirable performance. These formal rules, procedures and policies may take the form of performance management systems, written down in a contract or in service level agreements. Social control pertains to the establishment of organizational norms, values, culture and internalization of goals to encourage desirable performance and behavior (Das and Teng 2001). Involvement in the decision making process, rituals, ceremonies, orientation programs and networking within and between organizations are examples of social controls.

6.2.3   *Trust and power*

Prior research has suggested that in addition to the formal control mechanisms, trust may act as a social control mechanism in interfirm relationships (For instance, Bachmann 2001; Bijlsma-Frankema and Costa 2005; Das and Teng 1998; Das and Teng 2001; Inkpen and Currall 2004; Nooteboom, Berger, and Noorderhaven 1997; Nooteboom 1996; Poppo and Zenger 2002; Sako 1992; Zaheer and Venkatraman 1995).

According to Free (2008), research in accounting and control suffers from a lack of attention to the nature and effects of trust, conflicting conceptualizations of trust, inadequate understanding of the relationship between trust, its antecedents and consequences, and the distinction between trustworthiness and trust. It is, therefore, important to carefully define and explain trust, trustworthiness and interorganizational trust. There are several definitions of trust. For example, trust is "a type of expectation that alleviates the fear that one's exchange partner will act opportunistically" (Bradach and Eccles 1989; p.104) and it is also a "psychological state comprising the intention to accept vulnerability based upon positive

expectations or behavior of another" (Rousseau, Sitkin, Burt, and Camerer 1998; p.395). It is also "a predilection to assume the best when interpreting another's motives and actions"(Uzzy 1997; p.43) To Tomkins (2001), trust is the adoption of "a belief by one party in a relationship that the other party will not act against his or her interests, where this belief is held without undue doubt or suspicion and in the absence of detailed information about the actions of that other party" (p. 165). This definition is a bit similar to the definition of Mayer et al., (1995) that trust is "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (p. 712). The definition of trust given by Mayer et al., (1995) will be used in this thesis because this definition has been used by other supply chain scholars (cf. Free 2008).

According to Mayer et al., (1995), there are three characteristics (not trust per se) of the trustee that determine trustworthiness and that lay foundations for the development of trust. These are ability, benevolence and integrity. Ability is that group of skills, competences and characteristics that enable a party to have influence within some specific domain (p.717). Benevolence is the extent to which a trustee is believed to want to do good to a trustor, aside from an egocentric profit motive (p.718). Integrity is the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable (p.719). They (ibid) propose that the effect of integrity on trust will be most salient early in the relationships prior to the development of benevolence. Data and effects of perceived benevolence on trust will increase over time as the relationships develop.

There is a difference between trust and trustworthiness; trust is a relational concept that always depends on trustworthiness (Free 2008). Hardin (2002; p.37), as cited in Free (2008), distinguishes trust and trustworthiness as follows, "Trust and trustworthiness are not analogous or symmetrical, because one can be disposed to trustworthiness without any risk. A relationship cannot make you worse off if you are merely trustworthy in it. It can, however, make you substantially worse off if you are trusting in it."

Contextual factors, such as stakes involved, the balance of power in the relationship, the perception of the level of risk and the alternatives available to the trustor, may also influence the level of trust (Mayer, Davis, and Schoorman 1995).

"Interorganizational trust represents an organization's expectations that another firm will not act opportunistically when dealing with that organization" (Gulati and Sytch 2008; p.165). Blois (1999) differentiates between trust and reliance by saying that trust has an emotive element which becomes apparent when we are let down. Thus, trust can only be granted by the individuals because it has an affective element and it is hard to make sense that an organization trusts as there is nobody doing the trusting (ibid). Therefore, 'interorganizational trust' is to accept that this is a shorthand for 'two sets of individuals each of which is trusting the organization of which the others are members' (Blois 1999).

Another important concept that influences the form of the interfirm relationships is power. Like trust, power is a mechanism that can coordinate expectations and that can control the dynamics of a social relationship (Bachmann 2001). The difference between power and trust is that power can be used as an instrument to manipulate the other party into desired behavior. When power is used, partners are unable to engage in opportunistic behavior, while when trust is in place partners voluntarily sacrifice the possible benefits of opportunistic behavior (Hardy, Philips, and Lawrence 1998). Most of the definitions of trust relate it to predictability and such an approach ignores that power is, in fact, a functional equivalent of trust, serving to ensure predictability in coordination (Lane and Bachmann 1996). For instance, if two organizations cooperate and remain in an interfirm relationship because of non-availability of the alternatives or high stakes involved does not necessary mean that there is trust in the relationship. Trust is a communication process of shared meanings and values and in case of asymmetrical power relations, parties can take advantage of their power position and manipulate this communication process (Hardy et al., 1988). Thus, power could damage trust between parties. Power and trust are both ways to produce cooperation between organizations, but each coordination mechanism has different implications for the nature and outcome of that cooperation. Interfirm relationships that are controlled by power look on the

surface like they have trust, but this is only an illusion that is created to secure the goals of one of the partners at the expense of others (ibid).

The choice between power and trust to control the relationship is dependent on the institutional environment in which the cooperation is embedded (Bachmann 2001). Summing up, power and trust are interrelated and both can be instrumental in the governance of an interfirm relationship.

6.2.4   Control and Trust

Partner's confidence (trust) in each other maintains stable interfirm relationships or prevents their failures (Das and Teng 1998). Trust also encourages partners to accept bigger risks and enlarge the scope of the interfirm relationship (Inkpen and Currall 2004). Furthermore, trust can reduce costs of coordination and monitoring, enhance the performance of partners, or result in an increase in investments in the relationships (e.g; Dekker 2004; Langfield-Smith and Smith 2003; Van der Meer-Kooistra and Vosselman 2000). In other words, it is suggested that trust as a social control mechanism can provide benefits similar to formal control such as reducing risks of opportunism and facilitating adaptation (e.g; Bradach and Eccles 1989; Granovetter 1985; Macaulay 1963; Macneil 1978; Uzzy 1997) and it could thus be an efficient governance mechanism in interfirm relationships (Dyer 1997). But trust cannot be instituted instantaneously as it is developed over time (Nooteboom, Berger, and Noorderhaven 1997).

To a large extent, extant literature on management control of interfirm relationships (see recent reviews; Berry, Coad, Harris, Otley, and Stringer 2009; Caglio and Ditillo 2008; Van der Meer-Kooistra and Vosselman 2006) discusses the concepts of control and trust as either substitutes or complements. Both control and trust have been suggested to be instrumental in absorbing uncertainty and behavioral risks (e.g; Dekker 2004; Emsley and Kidon 2007). As substitutes, control and trust are inversely related. Transactions characterized by high complexity and high uncertainty may necessitate partners to draw more heavily upon trust instead of formal control (Van der Meer-Kooistra and Vosselman 2000). As complements, trust and control may be mutually reinforcing. For instance, the formal sharing of accounting

information in the beginning of interfirm relationship may produce positive expectations about future behavior and, hence, control could contribute to trust building (Emsley and Kidon 2007; Tomkins 2001). Control may also show a complex and changing relationship with trust over time (Tomkins 2001). Therefore, the simple complements-substitutes dichotomy needs further analysis (Puranam and Vanneste 2009). Trust and control may be conceptualized as a trust/control *duality* which implies that trust and control assume existence of each other, refer to each other and create each other, yet remain irreducible to each other (Möllering 2005). This duality perspective is similar to the interaction perspective that Vosselman & Van der Meer-Kooistra (2009) take on control and trust. In order to compensate for legitimate mistrust that arises as a consequence of divergent interests, parties negotiate a (contractual) governance structure that incorporates formal controls. The governance structure is a basis for thin trust, but is insufficient for realizing a stable and durable relationship. To that end, trust has to be 'thickened' by a self-regulating process of relational signaling, driven by 'enlightened self-interest'(Chaserant 2003a). Although parties act out of self-interest, it is the long term that they have in mind and therefore, as long as they value the relationship, they will demonstrate a willingness to forego short term opportunistic behavior for the sake of cooperative behavior. It is theorized that formal controls and trust building interact: up to a certain threshold, formal controls are both a necessary condition and an accelerator for the building of thick trust, while the presence of thick trust accelerates changes in formal controls.

6.2.5   Concluding Remarks

Prior studies examined the influence of formal control systems on trust (Colleti, Sedatole, and Towry 2005; Vélez, Sánchez, and Álvarez-Dardet 2008) and how trust could affect control (e.g; Vosselman and Van der Meer-Kooistra 2009). This study seeks to further build on theory on the dynamics of both control and trust in a specific interfirm relationship. It responds to calls for more in depth studies, on the relationship between control and trust (Caglio and Ditillo 2008; Free 2008). Particularly, it seeks to build further theory on the interaction between accounting, control and trust (building). Free (2008) questions the romanticized notion of trust and describes a field study where a power-based relationship was cloaked in trust. He calls for more in-depth studies, for acquiring deeper understandings

of the interplay between accounting, trust and relationship development over a time horizon of several years. Our study on how governance, in a specific interfirm relationship, is shaped through the development of control and trust over time and how accounting is implicated in such a development, responds to that call and other similar calls (e.g; Gulati 2010).

CHAPTER 7: GOVERNANCE AT AN INTERFIRM LEVEL- A LONGITUDINAL FIELD STUDY

7.1   Introduction

This chapter presents the results of a longitudinal study into how, in a particular interfirm relationship, governance is shaped through the development of control and trust and how accounting is implicated in this development.

A substantial number of studies has touched on the relationship between control and trust. To a certain extent, prior studies into control and trust in interfirm relationships took a rationalists approach (*inter alia* a transaction cost economics approach) and aimed at discovering mechanisms, archetypes or patterns of control (e.g; Dekker 2004; Emsley and Kidon 2007; Langfield-Smith and Smith 2003; Tomkins 2001; Van der Meer-Kooistra and Vosselman 2000). However, there have also been performative studies that discussed and investigated control 'in the making' by drawing upon actor network theory (For instance, Chua and Mahama 2007; Mouritsen and Thrane 2006). In a rationalists approach, both control and trust are considered to be instrumental in absorbing uncertainty and behavioral risks. This research draws upon the rationalists approach.

Recent contributions (e.g; Vosselman and Van der Meer-Kooistra 2009) take an interactive perspective rather than a rather simple 'and/or' or 'and/and' perspective, thus shifting the focus towards the *dynamics* of the relationship between control and trust. In an interactive perspective, the focus is on how (mis)trust produces control and how control produces (mis)trust. Such a perspective opens up possibilities to include the question as to how accounting is implicated in these dynamics, i.e. how accounting is implicated in the (re)shaping and use of formal controls and in the building (or destroying) of trust. Although it is tempting to connect contractually agreed upon accounting information with contract-based formal controls, while connecting voluntarily shared accounting information to trust building (as is implicitly assumed by Vosselman and Van der Meer-Kooistra, 2009), this chapter demonstrates a more complex relationship. Particularly, it is demonstrated how (changes in) the formal accounting and control system may also help producing cooperation and trust. In

doing so, not only the monitoring, supervising and rewarding aspects of control are revealed, but also its more salient aspects of coordination (Vélez, Sánchez, and Álvarez-Dardet 2008) and the (related) aspects of relational signaling that could help in building trust (Vosselman and Van der Meer-Kooistra 2009). As for the monitoring, supervising and rewarding aspects of control we suggest that they have the propensity to mitigate relational risk (Seal, Cullen, Dunlop, Berry, and Ahmed 1999) by compensating for legitimate mistrust and by producing thin trust through relational signals (Vosselman and Van der Meer-Kooistra 2009). As for the coordination and relational signaling aspects of control, the analyses and interpretations particularly suggest that control related accounting information (both formal and informal) indeed is important for the building and maintenance of trust in the relationship.

The interaction between control and trust and the implication of accounting in that interaction does not take place in a vacuum. There are contextual, including history, factors influencing this interaction. Therefore, by presenting a field study concerning the long term outsourcing of the *management* of facilities services by a big semiconductor company, this chapter aims to contribute by demonstrating the interaction between control and trust in a specific interorganizational context and over a specific period of time.

The main theoretical implication from the field study is that the institution and practicing of explicit control (formal and informal controls) in the interfirm relationship both help producing and may be produced by trust or an implicit control structure. Trust as an implicit control structure is tacit and consists of a frame that, at the one hand, defines the situation in the relationship as a cooperative one in which short term self-interest is subordinate to the interest of the relationship and at the other hand, guides decisions and actions by the parties involved. Together and in interaction, the explicit control structure and the implicit control structure govern the relationship. The explicit control structure provides safeguards, incentives and constraints, while the implicit control structure both reflects trust and influences the operation of explicit controls. The cooperative frame in the relationship is the result of a trust building process through which parties express their desires for a stable and durable relationship. It produces positive expectations about each other's behavior and it induces cooperative behavior, thereby fueling the development of the interfirm relationship.

It is theorized that the way the implicit and explicit control structures interact is highly dependent on the norms and values and the embedded agency of so-called boundary spanners. Essentially, both explicit and implicit control structures are the result of voluntary local decisions and actions taken and executed by the boundary spanners. It is demonstrated how the values, norms and (embedded) agency of boundary spanners are critical to the development or destruction of trust. As the field study will show, management of the outsourcing organization developed a trusting relationship over a period of more than two years. It succeeded in maintaining such a relationship by using formal controls and informal activities to develop the interfirm relationship. As a consequence, an implicit control structure emerged and the intensity of the formal control system and the information needs were decreasing. Hence, an interactive relationship between explicit and implicit controls was identified. Then a new management team took over and a mismatch between the norms and values of the new management team with the contractor developed. Incidents of opportunistic behavior occurred and, moreover, the ability of the contractor was questioned. Thus, a relationship based on trust turned into a power-based relationship in which the outsourcing organization proved to be more powerful and in which there was more explicit control. This also demonstrates that a prior trusting relationship may turn into a mistrusting relationship.

A further theoretical implication of our field study is, that an effective (successful) interaction between explicit and implicit control requires a certain context. Particularly, the boundary spanners prove to be of great importance to the development of the interfirm relationship. The agency and reflexivity of the boundary spanners may be influenced by the implicit control structure (or trust). Although the boundary spanners (i.e. the managers) may think that they are not being constrained by explicit controls, they nevertheless might become shackled in the invisible constraint of trust (the implicit structure). When the context changes, (in this case when the new boundary spanners arrive), the implicit structure (trust) shatters and opportunism, power and control emerge.

This chapter is organized as follows. First, a longitudinal field research (a case study) is described and analyzed in the section two. Then, theoretical implications of the study are discussed in the next section. The last section concludes the chapter.

7.2 Field study: on the governance of facilities services

7.2.1 The parties

In order to maintain confidentiality pseudonyms have been used for the companies. This field study is about an interfirm relationship between a Client Firm (CF) and a Management Firm (MF). The relationship relates to the outsourcing of facilities management.

CF is a leading semiconductor company founded by the Parent Firm (PF) more than 50 years ago. Headquartered in Europe, the company had about 29,000 employees working in more than 30 countries and posted sales of USD 5.4 billion (including the Mobile & Personal business) in 2008. CF creates semiconductors, system solutions and software that deliver better sensory experiences in TVs, set-top boxes, identification applications, mobile phones, cars and a wide range of other electronic devices. CF is a multinational company having its operations and customers in different countries in Europe, Asia and North America. In the Netherlands, the company is located at two sites, i.e. the production site and the headquarters.

MF is an Anglo-Dutch organization, located in the Netherlands. This organization possesses specialist knowledge of and has experience in the provision of management solutions for facilities services, appropriate for both public and private sector clients. The company strives to become the market leader in the European Total Facilities Management (TFM) market. [17]MF is a joint venture between a UK-based company and a Netherlands-based company. It was founded in 2002 and currently has various ongoing multi-million Euro contracts with international companies located in the Netherlands. Their first substantial contract was with the PF.[18]

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[17] Browsed the website of MF
[18] Browsed on the web

7.2.2   *The nature of the relationship*

MF has a managing agent contract with CF. It does not provide facilities services itself. There are various suppliers that provide facilities services and the contracts for facilities services are concluded directly between CF and different suppliers. MF only supervises and manages the contracting and delivery of facilities services. Hence, MF manages the relationships between CF and various suppliers of CF. A manager of CF depicted this relationship in a triangle as shown in figure 9.

Figure 9. The relationship triangle

```
              MF


Contract            No Contract


          Contracts

CF                  Suppliers
```
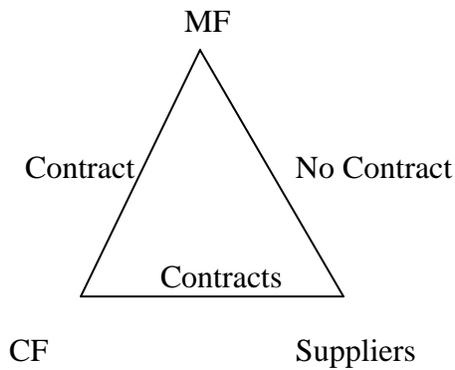
As shown in figure 9 below, there is a contract between MF and CF for the *management* of the contracts between CF and suppliers. There is no direct contract between MF and the suppliers, but MF has a relationship with the suppliers to manage on behalf of the CF. A pictorial explanation of the relationship that also shows the focus of this study is given in figure 10 below. It is emphasized that the focus was on the relationship between CF and MF but suppliers role was also considered (two suppliers interviewed) in this interfirm relationship.

Figure 10. The Interfirm Relationship and the focus of research[19]
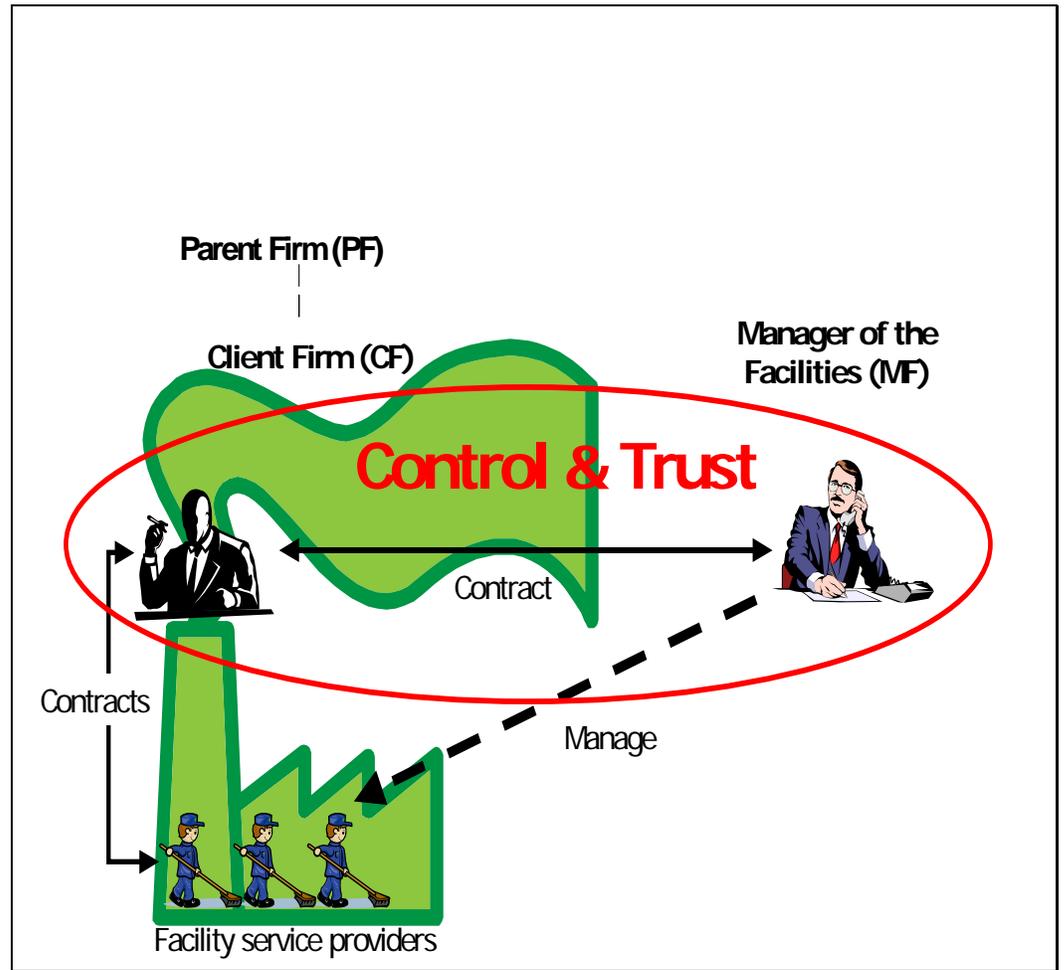
The contract between CF and MF is about the management of facilities services in the Netherlands for two sites, one at production site and the other at headquarters. The outsourcing contract included the transfer of five employees from CF to MF. Some examples of facilities services are given in table 13:

Table 13: The Outsourced Facilities Services

Major type of Service	Description
Building and Environment	Fire prevention system, heating ventilation and air-conditioning (HVAC), environment and safety, technical maintenance, water management, energy and utilities management
Office Services	Cleaning, reprographics, cleaning rooms cleaning, reception, parking, planting, data management and office supplies
Projects	Capital works, space management, relocations and change management
Communications	Multi client service desk, mail, telecom, courriers and signage
Hospitality	Catering, conference, audiovisual services, flowers and event management

Table 13 reveals that the services are rather simple of nature. They can be programmed easily. Most of the services (cleaning, heating, ventilation and air-conditioning, energy and utilities, catering, conference management and event management) are characterized by a relatively high task programmability. The output of the services can be measured to some extent, although accurate measurability is difficult. There is relatively low asset specificity, because no specific investment had to be made for this relationship. Some services are highly repetitive (e.g; building and environment and office services) and some are less repetitive (e.g; hospitality). So, there is a mix of service transactions with a relatively high frequency. A service provider is called an integrated service provider (Ventovuori, 2007) if it provides a package of different facilities services. We claim that in this case MF is an integrated service *manager* and not an integrated *provider* because MF is managing the contracts between CF and various suppliers and not directly providing facilities services. The management of facilities services is rather difficult to measure and it has a relatively low programmability. Although the asset specificity is relatively low and, as a consequence, there would be switching possibilities for CF, in reality the switching possibilities are low because of a very small number of companies that provide similar management services.

CF does not outsource all the required facilities services. Facilities services in CF fall apart into two types of services. These are the facilities services for offices and buildings at one hand and facilities services for wafer production and fabrication units (FABs) at the other hand. The contract between CF and MF relates only to the management of facilities services for the offices and buildings (called soft services). The department within CF responsible for the soft facilities services is Real Estate and Facilities Management (RE&FM) Netherlands and the department responsible for hard facilities services to FABs is called Industrial Center (IC). The management of hard facilities services requires technological knowledge and is critical to the manufacturing processes. The management of facilities services of IC has not (yet) been outsourced to MF. Facilities services for FABs are managed in-house. As far as there are contractors involved in IC facilities services, they are supervised and managed by the CF's own engineers and staff and not by MF. The services handled by the IC include piping, chemical supplies, gases, maintenance of cleaning room and green filling drums.

Both the critical nature of the IC facilities services and the main consideration regarding the governance of these services is expressed by the managing director, as follows:

"Facilities management in the factory is crucial. If FABs close down for an hour, losses are huge. It takes us three days to run FABs again so FABs can't be stopped. It means you need facilities management that has such a high quality that you know that FAB will never stop."

But, he thinks that even IC facilities services are not core operations:

"On the other hand, I still think that other companies might do it better than us. Because it is not our core competence we are not spending sufficient management time to these kinds of services."

The choice to outsource soft services but not to outsource hard services is consistent with transaction cost economics (Williamson, 1979; 1991). In the latter case, asset specificity, particularly business process specificity, is high. However, the doubt expressed by the manager opens up future possibilities for outsourcing. As will be demonstrated later on, the building of trust in the relationship with the external manager of the outsourced soft services enhances that possibility.

The terms of the relationship between CF and MF are laid down in a contract and in service level agreements (SLAs). The department at CF responsible for the relationship with MF and for developing SLAs, is the Real Estate and Facilities Management (RE&FM). Hence, for this research project, the inter-firm relationship between RE&FM CF and MF has particular importance in addition to the some other departments / functions. The partial (inter)organizational chart of CF showing RE&FM Netherlands and its relationship with MF and suppliers is depicted in figure 11.

Figure 11. Partial (inter)organizational chart
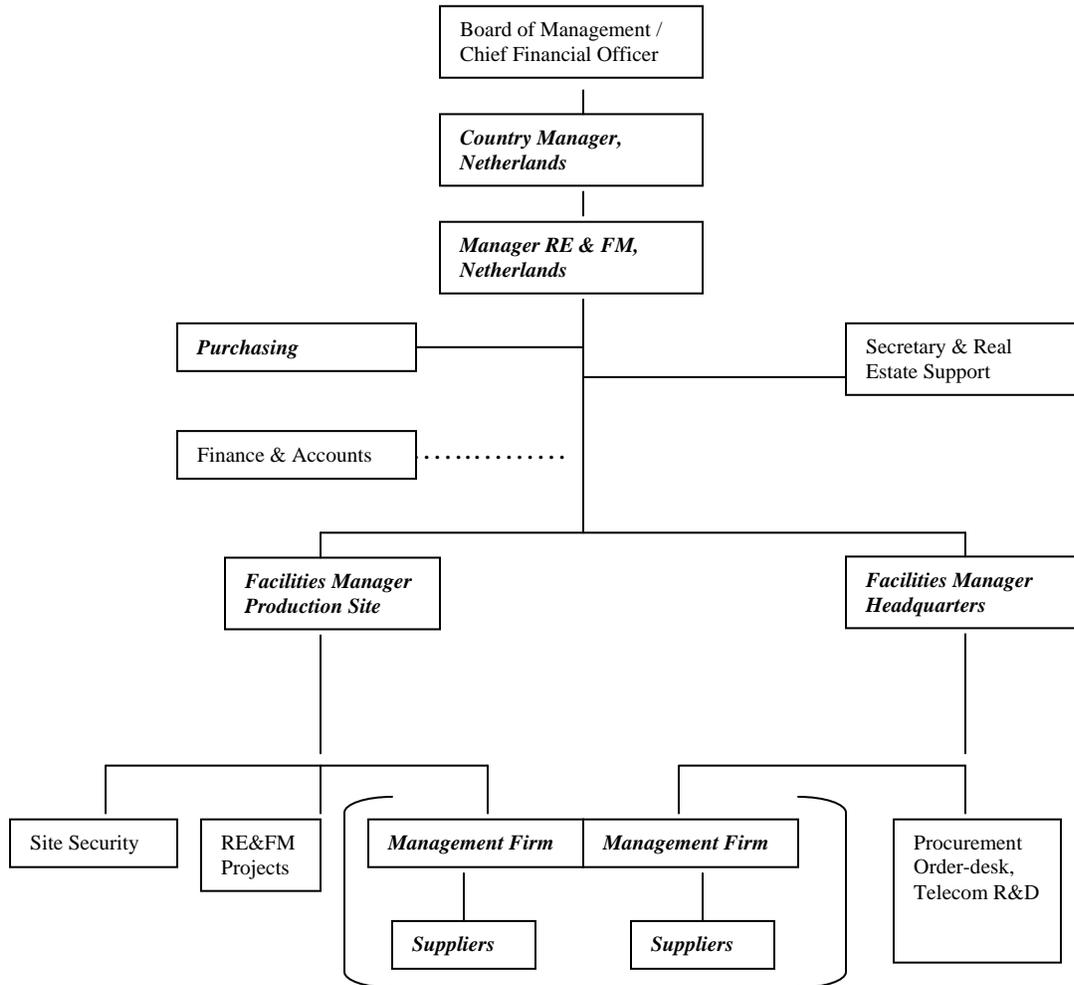
Different actors (managers of the CF and outside organizations i.e. MF and suppliers) directly involved in the interfirm relationship are shown in italics and bold in figure 11. In CF, there is a Board of Management and a Chief Financial Officer (CFO) at the top and the Country Manager Netherlands is reporting to this Board. The Country Manager (managing director) is responsible for all the operations in CF within the Netherlands (NL). The head of the RE&FM NL department is reporting to the country manager. Furthermore, there are two facilities managers for both sites, that is, the production site and the headquarters, who are reporting to the manager RE&FM NL and are also dealing with MF on an operational level. Further, at the bottom MF is managing the contracts concluded between CF and different suppliers. MF is responsible for the management of facilities services at both of the sites. The production site has semi-conductor fabrication units (FABs) and the buildings are owned by CF here. The headquarters is in another city in a building which is not owned by CF, but rented.

7.2.3   *The development of the relationship*

a- Pre CF period (PF Semiconductors)

The relationship between CF and MF started in May 2006. At that time CF was a part of the Parent Firm (PF) and it was called the business unit PF Semiconductors. So, the original decision to enter into the relationship was not made by an autonomous CF but by PF, particularly PF Real Estate Management and Services. The contract between PF Semiconductors and MF was concluded in 2006 and it spans a four years period. The contract expires in 2010.

The decision by PF Semiconductors to outsource the management of facilities services to MF was closely related to prior experiences of PF with MF. A prior contract was signed between PF and MF in July 2003, which included the provision of facilities management services for 650,000 square meters of building space as well as the management of different types of services such as technical maintenance, security and catering. Approximately 60 employees of PF's facilities management operations were transferred to MF.

Based on the prior relationship PF Real Estate Management and Services decided to outsource the management of facilities services of PF Semi-conductors (now CF) in May 2006. This decision was mainly driven by top management's strategic consideration that the focus should be on core operations and that non-core operations should be outsourced. PF Semi-conductors (now CF) did not participate in the decision; the contract was just handed over to PF Semiconductors' management by the PF. One CF manager expresses the process in this decision as follows:

"We started out as part of the PF organization and the decision to go to MF was a decision at a higher level, within PF. Focusing on core activities, that was the main reason to outsource at that time. The business case was not the reason to do the outsourcing to MF".

In September 2006, PF Semi-conductors was sold to a group of private equity investors and CF came into existence. In its early stage the relationship between CF and MF did not work properly because most of the managers in CF did not approve the earlier decision to outsource the management to MF. Even the managing director resisted.

The account manager from MF also recalls that MF experienced problems in the relationship. Apparently, in his view CF's management did not feel ownership of the outsourcing relationship.

b- CF and MF

At the start, the relationship between CF and MF was not working well. The manager of IC speaks of a drama:

"And in the beginning it was a drama, the first years of this outsourcing project was a drama for both parties because we didn't know how to manage an outsourced activity and MF was also looking for let's say the ways how to do this and to deal with this environment."

The MF account manager expressed a similar problem,

"The first half year was a struggle because we didn't get any support from the Facilities Manager."

There were different reasons why the relationship was not working. First, the initial contract was not made between CF and MF but between PF Real Estate & Services and MF; it was just handed over to CF (PF Semi-conductors at that time). The purchase manager at CF expresses it as follows:

"Yeah. Our management made some decisions and said this is the way to go. But this example was one step beyond that. Even the contract was presented as 'take it or leave it'. It's perfectly okay if management says this is the way to go because that's the input you expect from management. If management goes one step beyond that and says that okay that's the direction we go and that's how we are going to do it, then indeed people feel bad. Feel that they don't have influence actually on how to go and how to proceed in the direction. The decisions were taken two levels higher in the hierarchy. It's not just me who thinks like that, I think I am representing a lot of people here. They said okay, 'we have learned to be what we are. We are paid to add value to this company and our management makes a decision. That's perfectly okay but management also fills in that decision. The management should have stepped back and let others make the operational decisions.' A lot of people now seem to have stepped out of the process and say 'let them bounce against the stone wall and they will see what happens then'. In fact that was how it worked, which perhaps is not good but it's perfectly human."

Secondly, facilities managers were expecting MF to do all the work itself. There was a lack of cooperation and coordination on the part of CF facilities manager. Thirdly, managers in CF thought some conditions in the contract were not appropriate for a good relationship and a good execution of the work. An example why the initial contract was not encouraging is pointed out by the purchase manager, when he tells us that the incentive for the contractor apparently was too weak:

"[if] savings were 100% then we could, according to an incentive in the contract, get 80% of those savings and 20% was for them. That's how the old contract was written. It didn't work.... It didn't. They had to get more"

A facilities manager also sees a lack of detail, clarity and comprehensiveness in the original contract. He suggests that a good contract and formal control system can help in better coordinating the interfirm relationship:

"*It was not clear for everybody what should be reached, who should do it, [who] is responsible for which actions. And if you look at savings, savings is always a nice issue, uh who initiated it? Who is responsible for the results? Who gets paid for it? And if you do not make that very clear you will always have discussions and it makes it very difficult to work together. So that was one big problem with the previous contract.*"

Apparently, interests were not properly aligned in the contract. Then in the beginning of 2007 a new managing director as well as a new facilities manager joined CF. These new managers (here we call them the boundary spanners), especially the managing director, RE&FM and purchase manager had several discussions with MF and revised the contract. This was the beginning of a better interfirm relationship. A manager of CF expresses it as follows:

"*Then he [new Facilities Manager] came, a different person let's say and he was let's say more of a team player. Also he's better than his predecessor and that helped a lot, because then he started investing into the community first here to understand ok how are things looked at and are there sensitivities and are there people unhappy, that kind of things. He invested in the community you could say. In the meantime we also had another let's say brand manager [Managing Director] who was also more at the practical side, pretty hands-on as a manager and the Purchasing Manager, you can say, is also quite a practical guy, let's say logged in to that as well and they started restoring the relationship with MF, but at the same time also bringing the ambition level of MF down.*"

CF concluded a new contract with MF. Given the developing situation, (herein we call the institutional context) CF did not really consider switching to another company. There are five aspects in the institutional context that need to be addressed. Firstly, the present contract with MF was still valid (until 2010). Secondly, some employees had already been transferred from CF to MF as per previous contract. Therefore, there would be legal and procedural implications in case of breach of the contract with MF. Thirdly, MF had competence reputation in the market and had big customers in the FM market in the Netherlands

including PF. In fact, according to FM Market Report 2008 published by the Facilities Management Netherlands (a professional association in the field of facilities management which professionalizes facilities management in the Netherlands), MF was the number one in the top three IFM providers in the Netherlands. Thus, it was appropriate to have a new contract with MF. Fourthly, the intra-organizational context had also changed because of the replacement of the facilities manager and the managing director. These new executives (boundary spanners) thought that CF itself was partly responsible for not properly managing the 'demand management' function. Fifthly, an important reason for remaining with the same MF was that CF was suffering from decline in sales and profits and it wanted to become and stay flexible by reducing fixed cost and saving on non-core operations. It also wanted to economize on transaction costs. MF firm was one of the few companies which could manage the integral mix of facilities services. A switch towards another supplier would have entailed much effort to invest in the new relationship, thus implying transaction costs.

The new contract was concluded between CF and MF. The manager RE&FM labeled the relationship as a '*partnership based on mutual respect and trust*'. According to him, three important aspects of the relationship are *'operational excellence', 'added value' and 'clear and open agreement'*.

In the period before and after the revision of the contract in the beginning of 2007 there was frequent cooperation, coordination, communication and information sharing between CF and MF at different management levels. They formalized a meeting structure in the interfirm relationship. Table 14 gives an overview:

Table-14 Meetings and Communication between CF and MF in 2007

Meetings	Frequency	Description
Strategic	Yearly	XX
Tactical	Quarterly	Overall contract review
Operational	Monthly	CF Netherlands
Savings	Fortnightly	CF Netherlands
Regular	Weekly	Per site
Quarterly Review	Quarterly	Evaluation report (PMS-KPIs i.e. End user customer satisfaction, Performance of MF, Client satisfaction and Performance of the contractors / suppliers)
Finance	Quarterly Yearly	Budget Tracker (Open book) Budget
Purchasing	Monthly	Suppliers / contracts

Table 14 shows much communication between CF and MF where the frequency of interaction ranged from a weekly to a yearly basis. This frequent interaction made the relationship more effective and durable. MF also has a help desk at both sites.

Since the beginning of 2008, the format of meetings has been changed. Now there are fewer meetings now. There is a monthly review meeting that is called a 'road map discussion' and a quarterly review. The manager RE&FM describes the monthly review called 'Roadmap' as follows:

"Road map I mean what's the desired development where we are going to discuss strategy, operations, savings and finance. These four items. And that's me with two demand managers, the account manager from MF and the operations manager from MF. So the five of us are sitting down and sharing things we are feeling. If I have got the feeling that their organization is too poor [meaning doing poor], we discuss it. And I ask them to present change proposals, to come up with new ideas and strive after improvements. So you finally come up with an improved process and are very clear about what you want to focus at. Actually we made one sheet with line items, the same line items, technical, facilities management, demand management, savings, finance, euh operation and we defined the 1st situation, the current situation and where we want to be within one year. And also where we want to be in two years when the contract ends. And, so we are very focused on line item level where we want to have the improvements."

7.2.4   The future of the relationship

Since the revision of contract in 2007 CF and MF developed a very trusting relationship and therefore they want to move to the next step. At present, according to the parties in the field the relationship between CF and MF is at a *Sourcing Solution* level, wherein MF handles the operational part and most of the relational part. It does not handle the contractual part, however. One of the possibilities is, that CF would move to a complete *Management Solution* wherein the operational, the relational and the contractual part of facilities management is handled by MF, while the strategic part remains with the outsourcer (CF). This is also called Total Facilities Management (TFM). This will improve CF's flexibility and efficiency, but may increase dependency.

A similar prediction is made by the MF manager,

"We are now looking at possibilities to make it a total FM arrangement so we can also take over the contracts so we can work on things as having more leverage because we have several accounts so maybe on more accounts we can challenge suppliers to do something about the tariffs and something like that."

Although managers express (in their own words) a weigh off between flexibility and efficiency at the one hand and transaction costs at the other hand, the level of trust in the present relationship indicates a decision for further outsourcing. This not only regards the movement towards a more complete outsourcing of management (that includes the contracting part)*,* but also regards the possibility to outsource the hard facilities services to FAB's. The latter is not only related to the level of trust between the parties, but also to the fact that production is falling and is also moving to Asia. It might even be that FABs is closed within a couple of years. As the managing director (country manager) indicates:

"But due to the fact that FABs will be closed in the next couple of years it means we get problems that a number of people in facilities management have to get fired, looking at the size of FABs"

7.2.5   *Accounting, control and trust in the relationship*

All operational accounting issues are handled by MF. The suppliers send invoices to MF that, in turn, sends one or two monthly invoices to CF. This implies that all the costs are running through the books of MF. The invoices, sent to CF by MF, have three components, i.e. cost of services, organization cost and management fee. The costs of services correspond with the payments to be made to the suppliers and, to a large extent, these costs vary with the volume of work. Organization cost is a fixed fee charged by MF. The organization cost is agreed upon on a yearly basis. The management fee is 8 to 10 percent of all the costs running through MF's books. Any change in the management fee percentage has substantial consequences because it is calculated on total costs. Management fee is at risk when MF does not achieve cost savings targets. This is in fact an incentive- and penalty system. The system incentivizes the search for cost savings. If MF achieves the targets, it receives the complete fee. If MF does not achieve cost saving targets, the management fee is reduced accordingly. In case of savings that are higher than the target, both CF and MF share the excess savings equally. So, there is a strong incentive to search for savings.

MF is doing all the calculations and reporting for CF in this relationship. The manager of MF expresses:

"CF isn't making any calculation. We are doing everything for them. We are making the business cases, we are trying to find out how it could be smarter, cheaper, more efficient than now […] we make a quarterly report what we have done this quarter, we tell them about the financial situation, we tell them about the KPI set and the levels we are at, we tell them about the savings, we tell them about the operations how we are doing our business, how satisfied the end user is and we ask them how satisfied they themselves are. So we will have a what we call … Client Satisfaction Survey, we tell something about how suppliers are doing their business as well as about our actions for improvements."

Sometimes, there are disagreements between MF and CF. Although these might have caused problems in the relationship, it proves they helped turning the relationship into a partnership

where issues are discussed and solutions are agreed upon together. CF has positive expectations about the abilities, intentions and integrity of MF.

The manager RE&FM recalls that their relationship is better than the relationship PF had with the suppliers. It is not only self-interest, reflected in a price, that counts, but effective and efficient facilities management proves to be strongly dependent on commitment to a stable and durable relationship. He seems to be benevolent because he considers that MF has the right to make money as follows:

"In PF purchasing, the 'pushing' was the way to go. The PF purchasing department actually pushed the suppliers so deeply in their price levels, that they were not able to earn money. And you can do this, in some cases for some suppliers that's right, but on the other hand if you don't allow them to make money, they will never give you the right service, because they are simply not able to deliver the right quality of service. Traditionally the PF purchasing department always worked in this way. Push, push push. And finally, being surprised that you don't get a quality service. That is all quite different from the situation in the current relationship"

One of the facilities managers of CF also has a good feeling about the relationship,

"[..] that's one part, the contract changed, but also the way of working changed. There was more working together, more co-operation, more discussion, more communication, more respect."

Now CF and MF have (and aim at further building) a trusting relationship as is reflected in the following remarks of the country manager (managing director) of CF:

"This moment we have been working with MF for two years. I fully trust them. But I say well you do for me the whole purchasing part for me. Don't care about it. You choose the right supplier. Of course, we agree on a kind of cost down targets year after year.... Therefore, you have to build trust that takes time."

He further adds,

"Yeah [..] when you outsource an important activity to a partner, you know you are becoming totally dependent on your partner. Such dependence is both ways, so both parties feel the need to build trust. A large part of MF's revenue is from CF company and if that drops because we kick them out and ask someone else to do it, it is very bad for them. Then they will feel it in their bottom line. So as soon as you start to outsource important activities, you get interdependence between companies and you have to manage that interdependence. That's why I know the boss of MF. We have a review two times a year and we ask ourselves whether we (still) have a trustful relationship. We also discuss possibilities of extending the outsourcing relationship, being fully aware that trust is a necessary precondition for that."

Although the reference to the dependence of MF on CF indicates that the managing director of CF considers a certain balance in dependency to be a kind of a safeguard in the relationship, the quote reveals that the manager views trust building to be a solution for growing interdependence.

From the perspective of MF, trust building is inter alia reflected in the existence of a transparent open book system. Anyone can log into that system. The manager of MF says,

"Every client from CF, every demand manager can look in CF PMS[performance measurement system]. Through KPI [key performance indicator] systems they can see everything. So they can click on high level and then they can click through to the bottom."

Apparently, by completely opening up the books, MF seeks to show its commitment to the relationship and its willingness to act cooperatively in the interest of the relationship.

The Accounting & Finance department of CF does not show much involvement in the relationship between MF and CF. As per controller:

"To be very honest, I mean as a controller or finance guy, we are being interested in getting the right services at the lowest cost. That is what I am here for. So whether it's MF or anybody else, it's really not something I should be worried about. It's not my responsibility"

And:

"But we are not decision makers. We are decision supporters. The final decision is to the Manager RE&FM and the country manager [Managing Director]. Very straightforward."

Different formal (contractual) and informal (non-contractual) sets of activities used to govern the relationship are shown in table 15:

Table 15[20] : Formal and informal (accounting) activities

Formal or contractual activities	Informal or non-contractual activities
Contract & Service level agreements and setting of target of saving of 500,000 Euros every year	Participation in company events and ceremonies
PMS (KPIs) and Incentive-Penalty system (Gain sharing system)	Continuous flow of communication and coordination
Quarterly report	Roadmap discussions
Monthly Review meeting (strategy, savings & control, operations, finance)	Personal interaction
Open book system	Shared offices and help desk
	Budget tracker, commitment list and Benchmarking suppliers
	Joint development of business Cases
	Signals of sharing attitude
	Signals of ownership & commitment to the relationship

Table 15 shows that both formal and informal control activities are being performed by both CF and MF. MF is doing all formal accounting and control activities in the relationship with the suppliers (including performance measurement using key performance indicators (KPIs) and quarterly review) for CF. 'Budget tracker' is a monthly overview of cost of commitments to suppliers and the actual expenditures. This is prepared by MF. Similarly, the 'commitment list' is also prepared by MF. This list comprises the phone calls made on a location (production site or the headquarters) to the service desk of MF. Regarding benchmarking, actual benchmarking of MF is absent since MF provides a rather unique and custom-made

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[20] The table has been made just to make a vague distinction between formal and informal control. Formal and informal are intertwined. For instance during a monthly meeting or a quarterly review meeting many informal signals are given and much informal information is shared between the parties that can affect the relationship positively or negatively.

service: the management of a mix or package of different facilities services. The managerial 'product' delivered by MF carries a mix of activities, the output of which is hard to measure. As shown in the table, there are some external measure based (formal) controls in place, in the form of cost saving targets (objectives) and result-oriented incentive system. An open book system is also part of the formal control. There are also informal (non-contractual) activities. They take the form of regular roadmap discussions, participation in the CF's informal events and ceremonies, personal interaction, shared offices, joint development of business cases and signals of sharing attitude and commitment. Moreover, there is voluntary action at MF to enhance transparency. MF benchmarks the suppliers of facilities services by transparently comparing the bids of different suppliers. A demand manager of CF can log into the PMS and immediately see the state of affairs. Furthermore, MF signals that it aims to help CF in producing a good business case and that it really tries to reduce costs. The MF manager:

"We are making the business cases, we are trying to find out how it could be smarter, cheaper, more efficient than now [..] we tell them about the states of the savings, we tell them about the operations how we are doing our business, how satisfied the end user is and ask them how satisfied they themselves are[…] we tell something about how suppliers are doing their business as well as about our improvement activities."

In addition, CF also seeks to keep MF informed about future plans and strategies and to manage each other's expectations. As per RE&FM manager:

"In the relation with MF it is very important that they are also involved and that they know where we are going to. That they are able to step on the train instead of missing the train. And we have found a way, in the form of a meeting structure, to communicate about developments. In these meetings we also ask MF about their own developments, strategies and ambitions. Where does MF want to be in a few years?"

To sum up, both parties express that they have a stable and trusting relationship. It proves that there is both formal and informal (accounting) control. The contract is important in this regard, yet parties show additional commitment to the relationship by voluntary agreeing to

additional informal control and by voluntary decisions to increase transparency. It is important that interests are aligned properly, yet safeguarding behavior is not up front. However, building a stable and trusting relationship is. Accounting controls predominantly prove to serve coordination requirements and the building of trust. As far as there are appropriation concerns, they are in the background.

7.2.6 *Developments in the governance of facilities services: a summary*

Table 16 chronologically summarizes the important events:

Table 16: Timeline of the relationship

May 2006	September-06	End 2006	Beginning 2007	End 2007	2008	2009 till Now (Sep-09)
Decision to outsource management of facilities services of PF Semiconductors to MF based on PF's prior experience with MF in other business unit(s).	Formation of CF	Change in Local Management (New country manager and new manager RE&FM) —New boundary spanners	Revision of contract with MF— Change in formal controls	Development of a good interfirm relationship and achievement of cost savings targets by MF. Reorganization strategy of CF. CF suffers losses in its core business.	Continued achievement of cost savings targets by MF and better interfirm relationship. Continuation of reorganization strategy of CF. Financial crisis adds to the problems and huge losses suffered by CF in its core business.	As a result of trusting relationship, the discussions of Total Facilities management (TFM) i.e. handing over the contracts as well as the management of facilities services to the MF.

The timeline summarizes the history in terms of major events. In May 2006 the original decision to outsource the management of facilities services of CF was made by the PF. PF had a prior relationship with MF and as a result they also outsourced the management of facilities services of PF Semiconductors to them. The decision to outsource the management of facilities services was made just four months before PF sold PF Semiconductors to a group of private equity investors in September 2006. The local management (PF Semiconductors) was not involved in the outsourcing decision amid the news of sale of the PF Semiconductors. Although the boundary spanners of CF had no distrust in MF, their lack of

involvement in the decision had a negative effect on the interfirm relationship between CF and MF. At that time, the country manager and the facilities manager did not show cooperative behavior towards MF. As a result, in the beginning the relationship between CF and MF was not working properly. Then, at the end of 2006, there was a change in the local management of CF. A new manager RE&FM and a new country manager entered the organization.

In the beginning of 2007, the new local management revised the contract with MF. The revision took place in a certain institutional context: the current contract was still not expired, MF had a good market reputation, five people of CF had already been transferred to MF as a part of the deal, new boundary spanner entered the scene and a switch to another service provider was not appropriate considering the cost reduction pressures at that time. Therefore, the antecedents and initiators of a good interfirm relationship and a subsequent building of trust were as follows:

- New boundary spanners and contracting process
- Change in the formal control system (e.g; clarity in the contract, an appropriate incentive system)
- Reputation of MF in the market (competence & integrity)
- Implications of a breach of the contract (the contract was valid till 2010 and employees had already been transferred to MF)

This point in the time line strongly affected both formal control and the building of trust. As for the formal control, the contract revision re-aligned interests of CF and MF by credible commitments in the form of cost savings targets, a performance measurement system and an incentive system. As for the incentive system, it was agreed that savings above target would be shared equally, thus producing contractual trust between partners. Because local management was actively involved in the process of contract writing, it produced ownership in the relationship. Therefore, the contract revision no doubt produced thin trust (Van der Meer-Kooistra and Vosselman, 2009) by realigning interests. But the contract revision (i.e. the change in the formal control system) also affected the cooperation and the building of thick trust (Vosselman and Van der Meer-Kooistra, 2009). Positive expectations about the

abilities, intentions and integrity of MF increased. Such a building of trust is expressed by the managers and is reflected in a decrease in the information flow during 2008 in the form of only one monthly meeting. Moreover, the formal accounting and control practices stemming from the new contract helped building trust. All the formal reports, financial or non-financial, were prepared by MF. At the end of 2007 MF met the cost savings target and that achievement enhanced the level of trust. For although the reduction in costs is very small as compared to the total operating costs of CF, the facilities management department was able to present good results in terms of cost savings in facilities services to CF's senior management. In this way, the relationship with MF facilitated them in contributing to CF's overall strategy aiming at a reduction of manufacturing facilities and reduction of operating costs. MF proved to be a good ally in the positioning of the facilities department in CF.

The year 2008 brought another problem for CF in the form of a financial crisis. CF suffered huge losses in its core business. However, the relationship between MF and CF produced 'super savings' (beyond the target savings), thus further contributing to trust building.

In sum, the performance of MF and the way the formal accounting and control practices were used in the two years 2007and 2008 produced a track record of competence and integrity. They therefore built thick trust in the relationship by creating positive expectations for the future. These positive expectations were reflected in many discussions taking place in 2009. For instance, both parties aimed to enhance the scope of the relationship by handing over even the contracts of suppliers (i.e. by further moving towards Total Facilities Management). Both parties showed a strong commitment to the interfirm relationship.

Succinctly speaking the trust developed as follows:

- *MF's prior good relationship with PF could not be transferred in the relationship between CF and MF because of constraints on boundary spanners' agency (willingness & ownership);*
- *A contract revision and changes in the formal control system, along with the arrival of new boundary spanners and their agency provided a basic trust;*
- *The market reputation of MF added to this basic trust;*
- *Voluntary actions of boundary spanners from their local positions and interactive use of formal controls contributed to further trust building*

7.2.7 *Breakdown of trust and the emergence of power in the interfirm relationship*

At the end of the first round of interviews it proved to be a very promising interfirm relationship based on trust and mutual benefits. But before the start of the second round of interviews in the middle of 2010, some organizational changes took place. First, the country manager (managing director) passed away and a new country manager was appointed who was also responsible for real estate and facilities management worldwide for the CF. Secondly, the hard and soft facilities management departments merged into one facilities management department. Thirdly, the manager RE&FM was fired and another manager with a background of IC facilities services (hard facilities services related to the manufacturing operations) was appointed as the head of RE&FM. Fourthly, the old contract expired in 2010 and new contract negotiations were in progress when the second round of interviews started. So, there was a new local management (new boundary spanners). This was a setback for the relationship as described by the account manager of MF as follows:

"I think he [the old manager RE&FM] really wanted to have a relationship with MF and it was really one of partnership and he wanted us to do as much as possible. When soft and hard facilities services were merged into one department, he was fired so that was huge because he disappeared from one day to another ; he wasn't here anymore, nobody spoke about it and after six weeks they told us that he was fired. So there was a trust between us and he was my demand manager."

The negotiations of the next contract are tough because the new management has a different view on the relationship. They do not seem to be very much interested in building trust; they want to have a relationship that they term as 'business relationship'. The new managers have a background of the FABs/IC facilities services and have expertise in facilities services in an environment where there is more focus on cost, control, processes and detailed information. They call it the FABs culture. Furthermore, because of their training and experience in industrial facilities services they always compare the work of MF with their standards and expect MF to be proactive. In FAB FM the proactive attitude is critical otherwise the losses are huge.

It appears that the new boundary spanners are in a powerful position.. They use the word

trust very sparingly and are critical of previous managers' way of working with MF. MF is providing more and more information and seems to be subjected to the power of CF. MF managers also talk about trust, although they see that it is not what is in fact present in the relationship. Both parties have economic interests and both to a certain extent showed opportunistic behavior as will be shown in the following paragraphs. The trust is used as an instrumental and ritual expression.

During the second round of interviews the following important issues emerged: breakdown of trust, an emerging powerful position of CF, a change in boundary spanners and an emerging downside of trust.

- *Breakdown of trust*

The second round of interviews reveals that the trust did not develop further and there were instances in which the ability and integrity of the MF was questioned. Besides, both parties have shown opportunistic behavior and there is more emphasis on control; trust appears to be less relevant. The new RE&FM manager comments on the ability of MF as follows:

"I don't see it developing into a total facility management contract because I can see that they have problems delivering the service because of lack of skills and experience. May be some activities are outsourced to MF and some, for example maintenance, will be done by us."

According to him, with other suppliers there is an open discussion, but this is not the case with MF:

"I always tell our suppliers if we do something wrong you tell me and say it blunt but with respect, have an open discussion, you can put anything on the table. It should be an open discussion. So, you can expect it. With MF we are not in that situation."

The suppliers managed by MF also question the ability and value of MF in the relationship. The suppliers, moreover, disclose the weaknesses of the MF to the CF. For instance one of the suppliers has the following to say about this:

"We are providing reports for 100% or 99% and we hand it over to MF and they give it formally to CF. It is our work, our report, our digits, our research. That is really strange. They should manage the supplier, but now it is the opposite. The supplier is managing MF and sometimes we are wondering what is the benefit of MF in the relation between the supplier and CF. They are just playing a paper role. At this moment, MF isn't able anyway to handle information and data about maintenance, because they don't have it and they aren't able to handle the data as well. Our [suppliers]influence is growing. So in the last years MF was able to tell to CF, 'Well, maybe the performance isn't really right and it's caused by this supplier or the other suppliers.' Now we are moving up and displaying this kind of examples. It will not help to improve the performance between both. It isn't optimal."

Furthermore, both parties have been opportunistic and have not been honest. They told lies and acted out of their self-interests. For instance, the new manager RE&FM gives his remarks on the negotiations process as follows:

"So, I convinced my boss we will scare them with a tendering process in order to have a good commercial deal."

Similarly, the purchase manager gives an example of a kind of trickery or deceit (opportunism) where MF offered a longer term contract which was more beneficial to MF:

"They presented to us in an opportunistic way, a contract for 5 years knowing that we would not accept that. But also knowing that if they gave us a 5-year contract, it would commercially look more interesting to them. What they did is very smartly go to our management with that and say: ok guys we can offer you a new contract with nice incentives and a nice cost reduction, but it is for 5 years. In fact what they did, waving the red flag for the bull by saying that this is interesting."

The MF is also at the lowest ebb in terms of trust. They are sharing information but do not have positive expectations and have fear of opportunistic behavior by the CF. Despite having a more than 4 years relationship, the CF is asking for more and more information which decreases or destroys trust in the relationship. For instance, the senior facilities manager of CF discloses it as follows:

"The way in which we are treated by CF in the sense that they posing questions and more questions and more questions and more questions, I sometimes think they want it all from us in the knowledge sphere and they might say in the end, thank you for everything and we are going to do it ourselves or they could use the information for a tender."

The new CF managers consider trust as something that is outside the sphere of business. They prefer to have a business relationship.

"I understand your relationship theory. On the other hand there is a business why we have a contract. […] Sometimes you have to be in your formal role because otherwise all rules are gone."

The new boundary spanners have more focus on control and they don't want to lose control over the suppliers. The purchase manager hints to such a risk of losing control in TFM:

"If you close a TFM contract with a supplier and he has back to back contracts with other suppliers doing the work. Because that essentially doesn't change, we have nothing to say about the suppliers selected by the service provider."

The new country manager also explains that controlling culture prevails in the CF:

"It's also a culture in the organisation. If you have a culture of controlling in the organisation, the changing of such a culture is a long process. Fabs organization's focus is on being lean, mean and less costly."

The same tendency (having more control and information) of the new boundary spanners is expressed by the account manager of the MF:

"Because of the change to IC management, they are detail-minded and we also now have different meetings such as an incident meeting, review meetings, cost saving meetings. Previously, it was once in a month or once in a quarter there was one meeting and then it was okay. Perfect. There's more control than was with previous RE&FM"

The senior facilities manager of MF also describes the control tendency of the CF which shows that they still don't want to opt for TFM:

"I think they want to have full control. They are not as far as to say, um, please make all the arrangements for me. They want to have the complete insight of what we are doing and what third parties are doing for them."

One supplier also describes the inclination of the CF towards control as follows:

"CF, formerly PF, was a party who wanted to control, wants to control very strongly subcontractors, the performance, etc. They don't dare to let it go. They want to control"

Summing up, the questioning of the integrity and the ability of the MF, the display of opportunism by both parties and the focus on excessive control are indications of the breakdown of trust. At least, trust has not developed further despite the prior relationship spanning over more than 4 years. One can say, perhaps, it is only the beginning of a relationship with new boundary spanners and it will gradually change. But the interesting point is that the new management (new boundary spanners) has a tendency to control in a way that conforms to the norms that are quite established (institutionalized) in the FABs facilities management.

- *CF gets more powerful in the interfirm relationship*
The CF has high standards of performance and has expertise in technical facilities management of FAB. They impose different and high standards of performance on MF. According to the new management, CF's previous managers and MF had been managing the performance through matrices but the internal users within CF were not satisfied with the performance. For instance the new country manager has the following to say about this:

"If you're just managing at your yellow, red or green then it looks from the outside very professional, but I think you don't have the right people for managing that part of the business."

One of the reasons why new boundary spanners have power over the MF is that they have IC

facilities management experience and an IC mindset. They have high standards of performance and they expect MF to attain those standards of quality along with cost reduction. Secondly, CF also questions the performance of MF and the parameters used to measure that performance. According to CF managers, the performance by MF is not reflected by the KPIs (control system). In some cases, even the supplier is more capable of handling a specific facility service than MF. For instance, one supplier exemplifies:

"We are sitting together around the table and it's CF, MF and us. We are presenting the report, not MF and CF is asking questions about one KPI, that is the KPI about the report turnaround time and the data handling. Well, that's done by MF, so it's a strange situation. The question is asked to us, and we have to explain, well, that's the performance of MF."

According to the new country manager, the control system in place showed good scores on performance, yet the customers were not happy with the performance of MF. He even questions the interfirm relationship:

"I'm questioning the whole relationship and I'm thinking, actually, yeah, the people did, to their knowledge, they had the score charts. Everything was green. At the same time, you know, people in organisations were not happy with the relationship, so something is wrong. And for that reason, you cannot blame only MF for that. But, actually, it's more that people don't care anymore and they say, you know, [blows raspberry] it doesn't matter anymore. So also with these types of relationships, if people have to give their complaints to a system, but that system doesn't respond to them anymore as a human person, then, actually, you know, people who are not happy, they will simply not say anything."

The same response comes from the new manager RE&FM, as follows:

"To me, the problem was when I was interviewed by MF as a customer. I already told them there is no way I can be angry and achieve a score of unsatisfactory. It's always good. So there's something in your questioning that doesn't add up to a good result. Now I'm in charge, I can do something about it. What we will do is also perform another way of interviewing customers to get direct feedback on things they see, just, like, walking around."

According to the new managers, the open book was just financial and it was not focused on the people. It was just managing 'red, yellow or green', which looks professional from the outside. So, they think MF was managing the metrics but not the real performance.

But the account manager of MF points out that during the last few years the focus had been on savings only. Now they have changed the focus to service excellence:

"Yes, because now we're talking about service excellence and how are we doing that. But in the last years we only had savings, savings, savings and now they say why don't they clean the table anymore? Because there was a saving there two years ago, we don't want it anymore, so it's difficult, and it's difficult to have a relationship in that part because there's a risk that you're going to blame each other."

The CF has been powerful in getting information and dictating the MF in the negotiation process. Perhaps MF expects a contract and has an economic interest in the relationship and they yield to the power of CF. The senior facility manager of MF describes how they yield to the demands of CF despite the indication by the CF that the MF is not the only party who is in the race for the contract.

"Well, it is a matter of trust of course. In the beginning we said, we give them some information and we give them our offer. Of course, when you put your offer on the table, they have questions and in the beginning our management team has said, well there must be a moment in time when CF says, we will work together for a new project and you will be the sole party, please give us more information. But now it is the other way around. Please give us more information and they are not saying that we are the sole party. And in the beginning our management said, we are not going to do that. So we are in this process and I think it is good. I don't see any signals that they won't take us for another period, but it is a bit strange."

The CF has been putting pressure on the MF for higher performance though they pay for a certain level. The senior facilities manager of the MF highlights this point as follows:

"The excellent service experience, which was introduced by one of the senior managers in headquarters. They want us to outperform our contract as if we performed on a higher level, ah, for cleaning and for maintenance or anything, um, although they know that they have bought a certain

level."

CF wants both higher quality and reduced price. As explained by the account manager of MF:

"We have 9% savings together in partnership and then they say we want 15%."

Summing up, the CF has become more powerful in the interfirm relationship after the arrival of new managers. Perhaps it is the nature of the services (rather simple facilities services as compared to rather complex IC facilities services) that makes trust less relevant because for the suppliers of critical facilities services of IC, CF considers trust as something that is relevant. Furthermore, the performance of MF has been an issue which makes MF less powerful in the relationship. Lastly, there are economic interests of getting a contract and staying in the relationship. That is why, MF gives in to the demands of the CF.

- *Boundary Spanners*

It becomes clear that the managers who are managing the interfirm relationship (at both corporate and operating levels) have a critical stance towards the development of the interfirm relationship. A change in the boundary spanners proves to change the shape of the relationship. It also became clear that there is a distinction between trust between managers at the one hand and trust between organizations at the other hand. For instance, the old boundary spanners had trust in each other. The formal control system was instrumental in generating trust between a number of managers, particularly the boundary spanners. However, some of the managers of the CF who were internal customers were not happy with the performance of MF. They felt that it was more 'managing at a distance' than managing 'flesh and blood'. So we may conclude that trust between boundary spanners does not necessarily imply trust between organizations.

- *The downside of trust—an implicit control*

Trust may influence and constrain the managers and make them complacent. In this sense, trust generates an implicit control. Such an implicit control was observed because the old

boundary spanners were very positive of the future of the relationship; they would have extended the contract with the MF without a long negotiation. With the new boundary spanners, the negotiation has already taken more than 6-7 months. The contract had not yet been awarded when the researchers completed the second round of interviews.

The contract manager of MF thinks that they would have easily got a new contract without much negotiation had there been the old manager RE&FM, because there was trust. But the new boundary spanners need detailed and specific information:

"Yes the new boundary spanners have a completely different point of view as compared to old boundary spanners. I think if we had the contract negotiation with the previous manager RE&FM, the contract would have already been concluded. It was like a cat in the bag. He would have said, 'It is done, it is okay. You did a good job and you start'. There was more trust. Now you see they have more specific focus and they want to know everything. Everything, you know, even the smallest details"

He adds:

"He [old RE&FM] trusted the MF. He trusted it blindly. Okay? When we said it's A, then he says, okay, it's A, it's okay, go, but now it's, okay, convince me and let me see why and show me the details and explain it to me and don't explain it to one, explain it to everybody, you know. So, it's much more effort now to convince them about something and sometimes it's really difficult, yes"

The account manager of MF thinks that their performance is good and is the same as it was before, but the new managers are not satisfied:

"For him [old manager RE&FM] we did things good, but now this changed; so this changed and sometimes they say you don't do well, it's not good, but we do the same as what we did when he was there - so it's very difficult for the people in the location."

The above quotes suggest the previous managers were to some extent under the influence of implicit control (a structure) of trust and they were very much positive about the relationship.

This shows a downside of trust. Trust may make people complacent and less critical. In such a situation, trust as an implicit control may limit the agency and freedom of the actors. The purchase manager of CF has the following to say about this:

"You can't be all positive. And people who say it is all positive they are not right. There is always something to improve. We have to develop and if you accept everything and if you don't think about the things that need to be improved then you are off the scale. Off the learning curve".

The new RE&FM points out as follows:

"And my approach is different. He [previous RE &FM] was satisfied with MF but he was managing the contract from a larger distance. I'm closer to the MF. I hear all the things than he did, or more things or different things than he did."

7.3 Theoretical implications

This longitudinal field study has a number of theoretical implications. This section explores and, to a certain extent, builds upon them.

7.3.1   *The relevance of trust: extending contingencies*

While Van der Meer-Kooistra and Vosselman (2000) theorize that trust is particularly important and may be a replacement for control in transactional relations that are characterized by high complexity and environmental uncertainty, this study reveals that whether trust is of significance in transactional relations may not only be dependent on complexity and uncertainty but also on the experience and mindset (values and norms) of the boundary spanners. For instance, the old boundary spanners viewed trust as a relevant thing and built trust in the relationship, but the new boundary spanners, having a background in facilities services of a highly technical nature (FABs culture), focused more on explicit control. The norms and values (established ways of working, for instance the FABs culture) of the boundary spanners prove to be important in how they value the formal control system and the 'explicit controls' that stem from it.

7.3.2. *Contracting and control practices as opportunities for the expression of commitments to the relationship*

Earlier work (e.g; Dekker, 2004; Van der Meer-Kooistra and Vosselman, 2009) theorizes that formal control structures (in the form of performance management and incentive systems) are deliberately written down in a contract in order to align interests and, thus, in order to cope with appropriation concerns. However, this study suggests that contracting not only serves the purpose of safeguarding interests, but also the inducement of commitment. This is also consistent with Woolthuis et al. (2005) who argue and demonstrate that contracts serve various purposes. Starting from rather autonomous positions, by (re)negotiating a contract mutual ownership of the relationship is created or lost. Furthermore, the accounting and control *practices* that stem from a formal contractual base (performance measurement and management) also induce the building of trust as was observed with the old boundary spanners (though the trust was limited only to the operating boundary spanners and did not extend to some of the internal users in the outsourcing organization). Apparently, both contracting and control practices are opportunities for expressing commitments to the relationship and, thus, for building trust. They shape expectations for stable and durable relationships. External measure based control therefore not only provides explicit incentives or constraints, but also provides opportunities for joint evaluations and joint problem solving. They may provoke dialogue and improve commitment to the relationship.

However, The recontracting process was dominated by safeguarding behavior and pursuit of self-interest after the arrival of new boundary spanners.

7.3.3 *Trust, mistrust and power*

Another theoretical implication of this study is that the talk of trust may hide power and opportunism. This is consistent with Free (2008). As was observed in case of the new boundary spanners, CF emerges as a powerful partner and dominates contract contents and execution (Woolthuis et al. 2005). Since trust building is a communication process of shared meanings and values (Hardy, Philips, and Lawrence 1998), there was a match between the values of the old boundary spanners of CF and the managers of MF. The use of the formal

control system to measure performance was part of such shared understandings. Hence, there was trust between the boundary spanners. But there was a mismatch between the meanings and values of the new boundary spanners at the CF and the managers of MF. The new boundary spanners did not like the 'managing at a distance' through the formal control system. They wanted a proactive attitude of MF and MF's presence close to internal customers, instead of the presentation of good measurements on KPIs. The new boundary spanners questioned the performance and required more and more information, reduction in cost and increase in quality. FABs culture was incompatible with the ways of working of MF. The MF had to submit to the power of the CF.

Much of the literature on trust between organizations classifies trust as 'good', pacifying uncertainty and creating stability and mistrust as bad (Free 2008). However, apparently trust may bring inertia, reduce incentives for innovation, adaptation and change. For instance, the new management and the managers of MF thought the old managers were too much positive. Apparently, the MF managers were of the opinion that the contract could have been awarded without much questioning. The new boundary spanners (particularly from the side of CF) were of the opinion that the existing implicit control structure (trust) was not adequate. Explicit control gained space from implicit control under the assumption that this would improve performance and would lead to better commercial deals.

The implicit control (trust) also proves to be replaced by power when there is a lack of trust (the ability and integrity is questioned) or when the context of the interfirm relationship changes. Such power influences and is influenced by the explicit controls and the voluntary actions by the boundary spanners.

7.3.4 *Trust as implicit control rather than social control*

Another implication of the study is that trust building should be conceptually distinguished from the design and use of informal (social) control. Through different trajectories, both formal control and informal (social) control are instituted in the relationship and as we demonstrated and theorized, they both can be vehicles for producing trust or mistrust. They are both explicit in the relationship. Social (informal) control induces desirable behavior

through soft measures (Das and Teng 1998). The nuance is that social control[21], that encompasses solidarity, information exchange and participative decision making (Dwyer and Oh 1988), becomes easier and more effective if there is trust between exchange partners (Sengün and Wasti 2009; p.45). Conversely, the absence of trust may make social controls less effective. This is consistent with 'hard' external measure based control or formal control. As theorized by Vosselman and Van der Meer-kooistra (2009) and illustrated by our case study, 'hard' control practices and trust building interact. So, trust building is associated with both hard controls (external measure based controls) and social control. In addition, the building of trust may be associated with voluntary actions of the boundary spanners; actions that are not directly connected to hard or soft explicit controls. The boundary spanners are under the influence of formal and informal (social) control structures, but given these structures they still have some agency.

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[21] The formal and social control are categorized as explicit control in this research though some of the social controls may not always be very explicit

7.3.5   *Explicit control, implicit control and embedded agency*

As shown in figure 12, given explicit controls structures, this freedom to act (agency) is also critical to the development or destruction of trust:

Figure 12. Explicit controls, implicit controls/ power and embedded agency
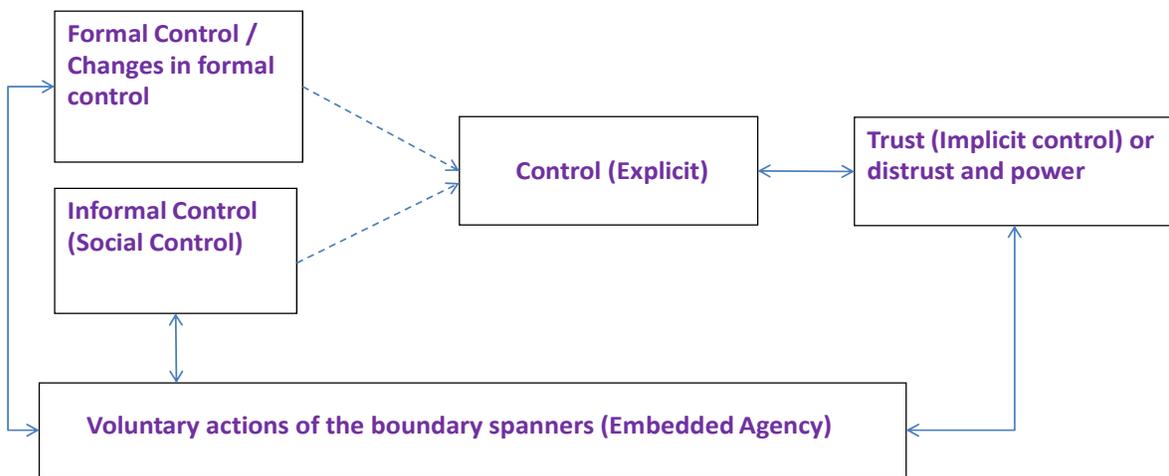
Figure 12 is explained as follows. Explicit control and voluntary actions produce trust or distrust (or power). Once trust is at a certain level, as was the case with the old boundary spanners at CF, it proves to reduce the intensity of control practices. It is suggested that the institution and practicing of explicit control, *and* agency of boundary spanners produce trust or *implicit* control that, in turn, reduces the felt need for much focus on explicit control practices. Although parties enter the relationship out of self-interest, it is through trust building that they show their willingness to act in the interest of the relationship and, thus, to constrain and guide their behavior. The resulting trust embeds agency by producing implicit frames or implicit structures at the level of the relationship that define the situation as a

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cooperative one and that guide and constrain actions by individual parties in such a way that the relationship remains stable and durable. Similar to explicit control and related practices, this implicit control prevents actors from acting opportunistically. Viewed from this perspective, the implicit control may be seen as a strong mobilizing force for the maintenance and development of the relationship. It complements the safeguarding stemming from explicit control structures with positive behavioral expectations of parties' future behavior. It may be viewed as a form of 'control' but not control in the sense of safeguards, incentives and explicit constraints, but in the form of voluntary cooperative behavior. It guides behavior without much focus on the explicit institution and practicing of controls. As is demonstrated with the old boundary spanners, trust as an implicit control structure may be the result of both the institution of (changes in) control structures through a contracting process and control practices (e.g; the use of KPIs). However, trust building is not restricted to such institution and practicing. It may also stem from voluntary actions out of local positions, actions that are not directly induced through explicit control structures and practices.

Essentially, human agency as embedded in explicit and implicit control is at the heart of trust building At the other hand, such agency mobilizes the practicing and further institution of formal and informal controls and, through that, trust may be built by giving positive relational signals (Vosselman and Van der Meer-Kooistra, 2009) to the relationship. Yet, agency (voluntary actions of the boundary spanners) also mobilizes the building of trust not though the practicing and institution of controls, but in a more direct way. For example, MF's attention for potential improvements in the business processes at CF was not induced by a formal nor an informal control, but was an act of agency. The informal controls were vehicles through which commitment could be expressed, not initiators. It is suggested that it was a deliberate act by MF out of free space, driven by *enlightened* self-interest (Chaserant 2003a; Vosselman and Van der Meer-Kooistra 2009). MF sought to cooperate appropriately in order to serve its long term interests.

Thus, it is concluded that an implicit control may both be created by the institution and practicing of explicit controls and by a self-regulating process of relational signaling. Such an

implicit structure embeds agency in a tacit way and such tacit control has the potential to fuel the development of the relationship. As it was observed in case of the old boundary spanners, the implicit structure produces voluntarily constrained behavior that is oriented towards co-operation and, thus, reflects and produces positive behavioral expectations. It does not produce explicit safeguards, but it adds to them. This does not imply that social uncertainty or doubt about potential behaviors of other partners is completely eliminated. There always remains a free space that can be used opportunistically by a partner. Therefore, as is theorized in earlier work (Vosselman and Van der Meer-Kooistra, 2009), parties involved will continuously search for signals that the others stay committed to the relationship. In turn, the institution and practicing of explicit controls (and, thus, the direct alignment of interests) are in need of an implicit (tacit) control. The institution of a governance structure (a contract) that incorporates controls needs a certain level of positive expectations about each other's future behavior. Therefore, both the creation of an implicit structure and an explicit structure have a similar base: embedded agency (Garud and Karnoe 2001; Giddens 1984). The one is embedded in an explicit structure, the other in an implicit one. The implicit control may also influence managers and limit their freedom and autonomy. This might have positive as well as negative consequences. Through their inclination towards explicit control, the new boundary spanners show their views that the existing implicit control was not adequate. In their opinion, the former managers became complacent and had low incentives to innovate, adapt and change. Although such a situation creates stability, it might not be efficient in an economic sense.

The implicit control (trust) proves to be replaced by power when there is a lack of trust (the ability and integrity is questioned) or when the context of the interfirm relationship changes. Such power influences and is influenced by the explicit controls and the voluntary actions by the boundary spanners.

Summing up, the discussion shows the interactive nature of control, trust and power. Formal control, informal control and voluntary actions of boundary spanners may either produce trust (implicit control) or power in the interfirm relationship. In turn, the implicit control or

power may also influence the formal control, informal control and the agency of the boundary spanners.

7.3.6 *History and context of the interfirm relationship*

Another important theoretical implication of the study is that certain contextual factors are very important for the development of an interfirm relationship. The contextual factors, in this case, include the role (values, norms and agency) of boundary spanners, the influence of the legal environment in the country and the special circumstances (or changes therein) in the interfirm relationship over time. Boundary spanners as representatives of each of the partner organizations process information in the interfirm relationship (Aldrich and Herker 1977; Janowicz-Panjaitan and Noorderhaven 2009; Perrone, Zaheer, and McEvily 2003). In the hierarchy of an organization there can be boundary spanners at least at two levels: the operating level and the corporate level. The initial award of the contract to MF by PF was done by the corporate boundary spanners based on their strategy to save costs and focus on core operations, on their own prior experience with MF and on MF's reputation as one of the market leaders. PF's corporate boundary spanners concluded the contract and handed it over to the operating boundary spanners (local management of PF Semiconductors). The local management (operating boundary spanners) had no influence whatsoever on the contracting process. As a consequence, local management did not feel ownership and failed to further build structure in that relationship. As the original contract was not the result of local management's agency, the relationship could not develop appropriately. Only when new boundary spanners entered the CF, both organizations renegotiated the contract and ownership came into existence. The revision of the contract, however, was not the result of unconstrained agency. There were two clear institutional constraints. One was that the extant contract had not expired yet. The other was that employees had been transferred to MF and such transference also resulted in a constraint because of the labor laws (legal environment) in the country.

Before the latest change in boundary spanners, in the pre-renegotiation period, two years of trusting and successful relationship produced positive expectations. Apparently, control affected trust and both the parties were looking at extending the scope of the contract. At the

other hand, trust also affected control. A decrease in the frequency of meetings, at that time, indicates a decrease in the exchange of information. This suggests effect of trust on control (Wicks, Berman, and Jones 1999). Moreover, as a consequence of the mutual development of more effective KPIs implicit control resulted. Therefore, the mutual development of explicit control created more trust in the relationship and thus further influenced control (see also Langfield-Smith & Smith, 2003).

Another point is that there was trust between old boundary spanners but some of the managers were of the CF were not satisfied with the performance of and the use of performance management systems. This raises a question as to what trust between organizations means. Is it trust between the boundary spanners or between the organizations?

Then, there was another change in the CF, new boundary spanners arrived. They had different views of the relationship. They did not like the use of KPIs as something that reflected performance of the MF. According to the new boundary spanners (particularly from CF), MF was not efficient, proactive and trustworthy. Their view of the work did not match with the way of working of MF. They wanted more and more information, higher quality and a reduced price. They also acted opportunistically by threatening MF that they might offer a tender to another organization as well. MF was accepting all the demands of the CF. Implicit control (trust) was no longer there and CF became more powerful in the relationship and was dictating the MF.

In sum, the study suggests that the role of boundary spanners is critical to the development of the interfirm relationships. Trust is not an objective condition and it varies between individuals, even those in otherwise identical conditions (Nooteboom et al., 1997). Moreover, this study suggests that it is important that the boundary spanners act from a rather autonomous position, i.e. they have agency. A change in boundary spanners may mobilize autonomy.

7.4   Concluding remarks

This field study produces knowledge on the shaping of governance in an interfirm relationship. Particularly, it theorizes that the interaction between control, trust and power may be seen as an interaction between explicit control and implicit control / power and that such interaction is embedded in the developments in an interfirm context. It does so by reflecting on a specific outsourcing relationship regarding (the management of) facilities services.

This longitudinal field study reveals that an interfirm relationship may experience both trust and power at different periods of time. While for more than two years when there were old boundary spanners there was a trusting relationship, later the trust was lost and power emerged as a result of the arrival of new boundary spanners. The cross-sectional studies, conducted at the time of the old boundary spanners, would give only a partial picture of the state of the affairs. Contrary to much of the extant literature, this research suggests that a prior trustworthy relationship may be questioned and may not entail a further development of trust.

Although it is tempting to consider accounting to be related to formal control or external measure-based control, this study demonstrates that accounting also serves trust building and, thus, the framing of cooperative behavior. Accounting practices not only serve safeguarding, but also help produce tacit cooperative definitions and guidance in the relationship. In other words, accounting practices serve both formal control and trust building. Moreover, consistent with prior theoretical work (Vosselman and Van der Meer-Kooistra, 2009) our field study reveals, that trust or power interact with the institution and practicing of formal control directed to the alignment of interests. Explicit control structures interact with implicit control structures. The background, norms and values of boundary spanners prove to be influential critical in the use of formal and informal controls. If there is a mismatch with the values and norms of the boundary spanners, the implicit control structure (trust) may not develop and power may emerge. Such power leads to more control and associated safeguarding behaviour.

The study also indicates that the production of "thin" trust through an alignment of interests by a contractual agreement on safeguards, constraints and incentives, and the production of "thick" trust by signaling commitment to the relationship (see Vosselman and Van der Meer-Kooistra, 2009) cannot be isolated from each other. The (re)creation of safeguards, constraints and incentives in the context of interest alignment is driven by the need for salient cooperative frames as well as by appropriation concerns. Apparently, the institution of an explicit control structure and the voluntary actions of the boundary spanners produces either trust or power.

The interaction between implicit and explicit control structures in our field study emerged in a specific institutional context where specific boundary spanners proved to be influential.

CHAPTER 8: CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

8.1   **Overview of the Research**

The purpose of this thesis is to understand governance at two different levels, that is field level and an interfirm level. For the purpose of this thesis governance is conceptualized as a 'package of practices' that regulates lateral relations regarding the execution and the management of facilities services, both at field level and at the level of intra- and interfirm organizational relationships. The thesis started with the aim to investigate the following research questions:

1- Why and how is governance changing in the field of facilities services in the Netherlands?

2- How is IFM, as an institution of governance, socially constructed at field level and what particularly is the role of institutional entrepreneurs?

3- How is governance in a specific interfirm relationship shaped through the development and interaction of control and trust, and how is accounting implicated in that development?

The first two questions relate to the field level research and the third question pertains to the interfirm level research.

For the purpose of investigating the field level research people from different organizations were interviewed. These organizations include service providers, consultants, professional associations, client organizations, suppliers and an academic. Fourteen semi-structured interviews were conducted with these different field actors. In addition to interviews, field documents, in the form of different reports including market reports, presentations by consultants and books, were also used. Further, the academic literature on FM (between 1995-2010), particularly relevant to the Netherlands, was also consulted in order to get a more reliable view of the field and of the developments in governance. The Internet websites were also browsed for collecting information about the field of FM. For instance, the

websites of professional associations of FM were read, investigated and used for the description of the field of FM.

ITS was the theoretical lens for this study. ITS is suitable for the investigation of field level institutional change in governance. So, it was considered the best choice for the field level analysis unlike TCE which would consider the governance forms as already available at the field level without shedding any light where those governance forms come from. Governance (as a package of practices) is an institution because it provides order and meaning to a set of activities. It is a package of practices that is fundamentally interpenetrated and shaped by broader cultural frameworks (Bourdieu 1977; Lounsbury and Ventresca 2003; Mohr 2000).

For the interfirm level research on governance, nineteen semi-structured interviews were conducted with managers occupying different hierarchical positions in both firms. The documents in different forms such as annual reports, presentations by managers, roadmaps, performance reports and organization charts were also utilized for the description and analysis of the field study. In this field study two rounds of interviews were organized in order to follow the developments of the interfirm relationship over time. In addition to the interviews, four general meetings were arranged in order to get access to the organizations and to discuss the results of the first round of interviews with the participants. The organization and management theory, particularly the state of the art related to management control and trust in interfirm relationships, was the theoretical foundation of this study because the concept of governance at an interfirm level is strongly connected to management control with a focus on influencing the managerial behavior towards efficiency and effectiveness (Minnaar and Vosselman, forthcoming).

8.2   Theoretical contributions

The contributions of this thesis add to the knowledge in the academic fields of accounting and control as well as facilities management, although the primary focus has been on the accounting field. In the accounting and control discipline, this thesis contributes to two streams of research, that is, an institutional perspective on governance change at field level

and a management control perspective on control change in the interfirm relationships. The specific contributions are as follows:

8.2.1   *An Institutional Perspective on Control (Governance) Change*

Firstly, this field level research is a first and distinct study that has paid attention to two different concepts of rationalities in ITS, that is, instrumental and institutional rationality (cf. Loundbury 2008). The instrumental rationality approach was adopted by different institutional scholars (e.g; Kraatz and Zajac 1996; Oliver 1991). In this approach some actors in the field called institutional entrepreneurs bring about institutional change by responding to institutional pressures. For instance, in this study two field level actors (consultants and service providers) get the character of institutional entrepreneurs because of their active participation in the social construction of IFM in the field of FM in the Netherlands. The idea of IFM came into the Netherlands through a multinational client organization and a multinational service provider. We label these actors as field-crossing actors because they are connected to the national and global fields of organizations instead of only local organization field. This field crossing ability enables these actors to bring new ideas, concepts and governance to specific fields. Though the idea was brought in the field of FM in the Netherlands by an international client organization and a foreign service provider, the local service providers and consultants pursued the governance concept very actively. IFM has been explained as a rational response to the existing conditions, characterized by cost reduction pressures in different forms and legal constraints regarding lay off employees, by the institutional entrepreneurs. They state that the employees get better career prospects when they move to the service providers due to IFM because FM is the core business of the service providers. They have been illustrating the success stories of the initial renowned organizations and later adopters to underline the importance of IFM. There are different professional associations that are connected to other professional associations and the field actors. Some organizations are local like FMN, F-MEX, some are transnational such as IFMA and EuroFM. The professional associations have mainly been interested in the dissemination of knowledge, best practices and new ideas. The professional associations are a kind of professional network as described in the theoretical framework developed in chapter 4. The professional associations have been helpful to the institutional entrepreneurs

in the construction of IFM because institutional entrepreneurs participate in and contribute to the publications and conferences organized by the professional associations.

The institutional rationality explains the influence of the (broader) institutional logics or institutional orders on the actions and understandings of all the field actors including institutional entrepreneurs. IFM gains acceptance in the field and guides the cognition of the field participants because it resonates with the logics prevailing (logic of rationalization) in the field of FM in the Netherlands and also the broader logics of (market and corporations). The historical analysis of the academic and professional literature in the field of FM in the Netherlands in combination with interviews revealed the dominance of the 'logic of rationalization' (reduction of costs) in the field of FM. The 'logic of rationalization' has been reinforced over time by the 'performativity' of theories of the value chain, lean and mean production, and outsourcing. It is added that the 'logic of rationalization' has become powerful by competition and the financial crisis over time.

Secondly, this thesis focuses on both the field level as well as on the (inter)firm level and thus responds to the call for multi-level analysis (e.g; Hopper & Major; 2007; Lounsbury, 2008). Further, the construction at field level (O' Dwyer et al., 2011) rather than adoption at the organizational level is investigated, so the contributions add to the scarce number of ITS based studies in accounting that focused on the field level (e.g; Dillard et al. 2004; Hopper and Major, 2007; Ezzamel et al., 2007; O'Dwyer et al., 2011). Besides, this research also reacts to the calls for more studies on institutional entrepreneurship (e.g; Garud, Hardy, and Maguire 2007).

Thirdly, the idea underlying the institutional logics literature (e.g; Lounsbury & Crumley, 2007; Thornton, 2002) is that practices like governance change and new practices emerge because underlying logics of the field change. However, this thesis demonstrates that different governance forms and practices (FM staff department concept, SSC and IFM / TFM)) emerge over time without change in the dominant logics. This is because all the governance forms are compatible with the dominant logic. The emergence of new governance forms occurred over time in the field of FM though there has been only one

dominant institutional logic of rationalization. Different practices co-exist in the organizational field at a particular moment in time because they are all compatible with the dominant institutional logics. Their appropriateness may be dependent on other factors such as size, ownership or private vs. public companies. For example, the big organizations consider IFM or a demand management organization to be a suitable governance choice, while governmental and non-profit organizations opt for an FM department concept.

Summing up, this research has revealed that historically the logic of rationalization has been dominant and that the emergence of a variety of governance practices may not necessarily be because of different institutional logics. This finding has an implication for the ITS regarding the explanation of practice variation in a field.

Lastly, this research confirms the criticism (e.g; Hirsch and Lounsbury 1997; Palmer, Jenning, and Zhou 1993) of the dichotomy between the technical and the institutional environment (e.g; Tolbert & Zucker, 1983) which entails that organizations designing and developing a new governance form are efficiency-seeking and that the later adopter organizations are legitimacy-seeking. As this research shows, it is the institutional rationality and institutional logics that guide the decisions of both early and later adopter organizations. It is a coincidence that the rationalization (efficiency) was a dominant logic in this research, but it does not have to be efficiency in all other cases. In other words, institutional logics determine what is or is not efficient.

8.2.2   *An Interfirm Perspective on Control (Governance) Change*

The second part of this thesis produces knowledge on the shaping of governance in an interfirm relationship. Particularly, the research theorized the interaction between control, trust and power as an interaction between explicit control, implicit control and power. It is demonstrated that such interaction is embedded in the historical developments in an interfirm relationship. A specific long term outsourcing relationship regarding (the management of) facilities services is investigated. This research particularly responds to the calls for longitudinal research into the evolution of accounting, control and trust (e.g; Free 2008; Caglio and Ditillo 2008; Gulati 2010).

In contradiction to much of the extant literature (e.g; Gulati 1995a; Gulati 1995b; Vélez, Sánchez, and Álvarez-Dardet 2008), this research suggests that a prior trust in a long term relationship may become questionable and may not develop further.

Moreover, this study demonstrates that accounting and control practices serve as a trust building devices and encourage cooperative behavior. In other words, accounting and control practices not only provide for safeguarding but also help in producing a cooperative and trusting relationship. Furthermore, consistent with prior theoretical work (Vosselman and Van der Meer-Kooistra, 2009) our field study reveals, that trust positively influences the institution and practicing of formal control directed to the alignment of interests. Once built, the trust also becomes a control but then an implicit one that influences the behavior of the managers. Thus, explicit control interacts with implicit control. However, the critical element in this interaction is the background, consisting of norms and values of the boundary spanners of organizations in the interfirm relationship. The mismatch between the values and norms of the boundary spanners may result in power instead of trust or implicit control and trust may not develop further.

This research also points out that the production of "thin" trust through a contractual agreement on safeguards, constraints and incentives for the purpose of aligning interests, and the production of "thick" trust by signaling commitment to the relationship (see Vosselman and Van der Meer-Kooistra, 2009) cannot be isolated from each other. In the field study, the (re)creation of safeguards, constraints and incentives in the context of interest alignment proves to be driven by the need for both appropriation concerns and cooperative frames.. The design and operation of an explicit control structure as well as the deliberate actions of the boundary spanners produce either trust (an implicit control structure) or power. During renegotiation, the parties were talking about trust ritually but the cooperation and coordination were driven by power instead of trust.

The interaction between implicit and explicit control structures in our field study emerged in a specific institutional and historical context where specific boundary spanners proved to be influential.

8.2.3   *Contribution to the FM Field*

A theoretical contribution to the FM domain was not the main focus of this research. Nonetheless, this research reflects on FM and the governance of FM, particularly in the Netherlands. The field level study adds an alternative (social and institutional) perspective to the field of FM. The extant FM research is, to a large extent, focused on technical aspects of FM.

The reflections could direct the attention of the practitioners that the 'logic of professionalism' requires attention so that the profession could develop holistically. Though some research in FM generates waves of professionalism (Duffy 2000; Grimshaw 2003; Roberts 2001), the field would be better off with more FM research.

The all too positive impression regarding IFM needs further investigation. Only the success stories of IFM were found in the professional publications although, in this research, it was observed that there are also failure cases and governance problems with IFM. For instance, the values of market sizes for 2000, 2003, 2005 and 2007 appearing in the market report of 2008 differ from the amounts of the same years in the market report of 2010. Secondly, the market report of 2010 shows conflicting opinions of the facility managers about the future of IFM in the Netherlands. This observation is consistent with Moss (2008) who casts doubt about the research methodology and market size of FM in the market reports of the UK FM industry.

Regarding the interfirm level research, this study adds to the FM literature on contracting, control and trust because it responds to the calls for more in-depth research on control aspects of integrated (total) service contracts (Kadefors 2008).

Lastly, it is stated that we only explain how IFM has been constructed. The purpose of this research is not to give a specific opinion on the functionality of IFM.

8.3   Limitations

Two different theories were used to explain the governance at two different levels. This is consistent with some of the prior research (e.g; Hopper & Major, 2007; Lounsbury, 2008). For instance, Hopper & Major (2007) drew upon ITS to explain field level change and actor-network theory to explain the implementation of activity based costing (ABC) in a telecommunication company.

For the field level research, ITS was used and for the interfirm level research, the governance and control theory was a theoretical base. In this regard, it is stated that ITS is appropriate for understanding the field level change. It was considered the best choice for the field level analysis because it sheds light on the emergence of new practices. At the level of the interfirm relationship, ITS could also have been used (as already done by some researchers). This thesis avoided the use of ITS at interfirm level because at this level the issues of controlling and managing the interfirm relationship were seen more interesting and were driving the attention of the actors in the interfirm relationship. This is not to deny that the influence of the background values and norms of boundary spanners on the interfirm relationship and the concept of an implicit control structure reverberates the implicit consideration of ITS in the interfirm level research.

Regarding methodology, the field level research, analysis and conclusions could have been more rigorous by doing a longitudinal research. One of the major reasons why a longitudinal study was not doable is the lack of time; a lot of time had to be spent in getting access to the organizations. However, the field documents and international academic research in FM spanning over the last two decades were collected and analyzed to overcome this shortcoming.

Another limitation regarding methodology is that the interview transcripts were not sent to the interviewees for a review and their feedback or remarks. The respondent validation could

have enhanced the value of the interview data and created a good rapport with the interviewees.

8.4   Recommendations for future research

The researcher drew upon both practitioners' and academic documents to overcome the limitations of the field level research. It is suggested that a future research spanning over a number of years and with the involvement of Dutch native speakers be conducted to gain better insights into the developments in the field of FM. A similar research could also be conducted in some other countries.

Furthermore, this research questions a very positive character of the FM literature (particularly practitioner literature), especially about IFM/TFM. It is suggested that future research in FM may also highlight the problems with different governance forms.

For the interfirm level research it is suggested that more field studies covering a number of years be undertaken. The interfirm relationship studied in this thesis has a specific context and history, especially regarding change in the management or boundary spanners. It would be interesting and useful to study the renegotiation of a contract without a change in management or in a different institutional context.

Moreover, the services involved were of a relatively simple nature. For instance, there was low asset specificity. It would be of interest to study a long term interfirm relationship that involves high stakes from both the parties.

For interfirm level research in FM, renegotiation without a change in management may be further investigated. The role of formalized meetings and monitoring was perceived to be important for non-strategic services like FM services (Kadefors, 2008) but as depicted by this research, there was a focus on the relationship building. Thus future research in FM may investigate the dimensions of control and trust in a long term relationship involving IFM contracts.

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Appendices

Appendix A: (Brief description sent to the potential interviews for collection of interfirm level data)

Research into the developments in the control of outsourcing relationships

Chair: professor Ed Vosselman

Researchers: Kaleem Hassan MSc
                  Drs. Reinald Minnaar

Aim:
The aim of the research is twofold:
- To gain a richer understanding of the processes that are at the basis of the developments towards outsourcing;
- To gain a richer understanding of the (changes in) governance- and control structures and processes concerning outsourcing.

Method:
To a great extent, the research takes the form of case studies and field studies. We aim to build theories on the basis of insights into the developments in real-life organizations. In turn, these theories might affect developments in real-life organizations. At core, case studies consist of interviews with officers playing roles in the governance and control of facilities management. With each organization involved, agreements will be made on the identity of the persons to be interviewed. Furthermore, we would appreciate the accessibility to relevant documents (minutes, notes, contracts etcetera).

Each interview will last about one hour, sometimes a little bit longer, but never exceeding one hour and a half. In most cases the interviews will be *semi-structured*: the researcher is extensively prepared, but tries to bring about fluent interaction with the interviewee, enabling him or her to bring in topics. The topics the researcher wants to bring in will be communicated to the interviewees in advance. The researcher will ask permission to tape-record the interview.

Confidentiality
There will be complete confidentiality. The researchers will not publish anything without the permission of the organization. If desired, we will make the organization unrecognizable by replacing the name by a pseudonym. We will not communicate any specific and sensitive information without an explicit fiat of the organization.

Topics in the interviews
During the interviews a number of topics may be discussed:
- Mobilizing forces behind the development towards integrated facilities management: external influences (consultants, fashions, fads etc.) and internal influences (such as strong leaders, the search for efficiency, the call for excellent quality etcetera);
- Problems risen in the development/implementation;
- The development of (or the absence of) service level agreements (SLA's), the clauses that they include and the processes through which SLA's play active roles in governing and controlling the activities of facilities management; the role of senior management and top management;

- The role of accounting in governing and controlling (billing, budgeting?)
- The role of performance management (for instance balanced scorecards and key performance indicators)
- Cultural aspects and evaluative styles;
- Co-ordination problems concerning the relationship; coordination and (client) specificity of the activities;
- (Potential) opportunism of parties involved;
- The role of a market mechanism (benchmarking, possible abundance of captive buying and selling) in governance;
- The role of trust in governing and controlling; sources of trust, if present
- The way the contact between the demanding business units (internal clients) and the center is organized (demand management? Supply management?)
- Non-programmable events and circumstances influencing the development of the relationship
- Possible unintended consequences of the development towards outsourcing the management of facilities services

Nijmegen, 14 October 2008

<u>**Appendix B: (Brief description sent to the potential interviews for collection of field level data)**</u>

Research into the construction (development) and diffusion of the integrated facility management (IFM) and total facility management (TFM)

Chair: professor Ed Vosselman

Researcher: Drs. Kaleem Hassan

Aim:

The aim of the research is to gain a richer understanding of the processes that are at the basis of the developments towards the (integrated) facility management outsourcing in the Netherlands. We want to talk to the main players (most likely major suppliers, customers, consultants and professional associations like FMN) and study their role as to how they are involved in the field of facility management. How their identity is changing and/or how they are changing the identity of the field and which strategies and means are used by them in this process. We would also like to study the major trends in the field especially the trends related to IFM and management control and trust.

Explanation:

We want to study how this movement towards IFM / TFM outsourcing started and how it has become so much influential that many companies have been following this. We are interested in exploring what consequences this movement of IFM / TFM outsourcing has brought to the field and also to accounting control. How has it affected the way of working? We are also interested in the likely future of this movement. The economic efficiency and intra-organizational benefits may not be the only reasons why the companies opt for this alternative. There may also be other institutional and sociological issues and reasons, which compel organizations to go for FM outsourcing and these are not usually discussed in the literature. This alternative view is important because the organizations do not exist in isolation and they interact with other organizations and professions, and society at large. The organizations face extra-organizational pressures. For instance, sometimes, an organization depends on other organization(s). As a result the dependent organization changes in order to survive and continue receiving support and resources. Another reason is that the organizations try to maintain their faces to appear that they are acting rationally by adopting an organizational arrangement, which has been adopted by a successful organization. They want to appear responsible in the eyes of the stakeholders and they adopt a new organizational arrangement. However, at times, the professions (consultants, advisors, etc.) advertise a new organizational arrangement to be good and organizations follow because of the recommendation of the experts in the area.

We argue that both intra-organizational benefits and the effects of the field of organizations (exogenous effects) are intertwined and are important to understand the change process. An interesting question is to identify and describe the main players who project the innovative practices at the level of organizational field. By organizational field we mean those organizations that, in the aggregate, constitute a recognized area and include key suppliers (outsourcing companies, consultants), consumers, regulatory agencies and other organizations that produce similar services or products. In other words, organizational field comprises the organizations that interact with each other frequently and fatefully. We have developed a model wherein we suggest that there are some major players who contribute to the construction of the influential environment for organizations to adopt IFM or TFM outsourcing. These are the professions

(consultants, suppliers, etc.) and national and international professional networks (FMN, EuroFM, IFMA) and renowned customer organizations (industry leaders). The professions act as mediators and accelerators by providing consultancy services and conducting practical conferences, seminars, publications, training programs, etc. Being in a position to interact with different organizations in different sectors, they are instrumental in the construction and diffusion of practices and innovations at the level of the field of organizations. The innovation may originate at the level of an individual organization striving for efficiency or solution to a problem or it may be the result of any other change (e.g; change in management) at the level of an individual organization or it may stem from the work of professionals (interacting with many organizations) at field level. This shows a discursive relationship between an individual organization and professions and professional networks at field level. Both interact with each other in the creation of an innovation like IFM and TFM. The innovation at an individual organization may not get constructed at the field level without the support of professions who project this innovation to the field level and theorize / frame the benefits and make coalitions with big players (major suppliers and other networks) in the field. In other words, a collective action starts at the field level. Theorization is an important stage in the construction of innovative practices at the field level. It is a process whereby organizational failings are conceptualized and linked to potential solutions. The professions and professional networks theorize change; endorse local innovations and shape the construction and diffusion of innovations. The innovation of a big player (organization considered industry leaders or central to a sector) or adoption of innovation by the big player and the display of benefits may also strengthen the construction of innovation at the level of field.

We are interested in using field research to identify the actors, specifically major suppliers, consultants, renowned customers, Facilities Management Association Netherlands, to study the development and the diffusion of IFM. In other words, it is intended to see how the practice stands in relation to our theoretical framework. We want to reflect on the field.

Interviews questions / topics:

- What are the mobilizing forces behind the development towards integrated facilities management outsourcing (functional, political or social): external influences (consultants, fashions, fads etc.) and internal influences (such as strong leaders, the search for efficiency, the call for excellent quality etcetera);
- What is the philosophy of IFM and TFM? What are shared understandings?
- How did IFM and TFM start in the Netherlands? Who were the original supplier, customers and consultants?
- What is the current trend in FM at present? Who are the major players in the field and what they do? What are the reasons for such a trend?
- What are the problems being faced in the field? Who are offering the solutions and how? Nature, types and operation of the solutions.
- Any problem/ trend related to control?
- Is there any role of trust and how do you define it and why is it needed?
- What consequences this movement has brought?
- Why are some companies adopting IFM and others not?
- What are the problems being faced by the companies in practice in implementing IFM or TFM? Especially related to management control.
- What are possible risks (for instance, (potential) opportunism of parties involved and co-ordination problems concerning the interfirm relationship?
- How can the risks associated with these important decisions be minimized?
- What are the governance / control mechanisms?

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- How are the changes being managed successfully?
- What could be the further development?
- Do we really need these changes?
- The development of (or the absence of) service level agreements (SLA's), the clauses that they include and the processes through which SLA's play active roles in governing and controlling the activities; the role of senior management and top management;
- Cultural aspects of facility management and evaluative styles;
- The role of performance management (for instance balanced scorecards) and incentives with regard to the relationship;
- The role of accounting in governing and controlling the relationship (billing, budgeting?)
- Is there any change in the role of accounting control as a consequence? How is accounting done for FM?
- Possible unintended consequences of the development towards facility management outsourcing;

How we do it?

To a great extent, the research takes the form of case studies and field studies. We aim to build theories on the basis of insights into the developments in real-life organizations. In turn, these theories might affect developments in real-life organizations. At core, case studies consist of interviews with officers playing an active role in the interview. Since the focus of our research is to understand how changes took place in the field of FM and how different actors played their role in this process, we would like to conduct interview with managers of 4 major suppliers (preferably renowned ones) with only one interviewee from each supplier. The interviewees could be managers at the strategic level. We would also like to conduct interviews with at least one customer of each the four suppliers. The interviewees at the customer organizations should be the managers who are responsible for the FM function. We would also like to conduct two interviews with at least two renowned consultants of the facilities management.

Each interview will last about one hour, sometimes a little bit longer, but never exceeding one hour and a half. In most cases the interviews will be *semi-structured*: the researcher is extensively prepared, but tries to bring about fluent interaction with the interviewee, enabling him or her to bring in topics. The topics the researcher wants to bring in will be communicated to the interviewees in advance. The researcher will ask permission to tape-record the interview. He will write detailed minutes of the interviews that have to be approved by the interviewees. We would come only for interviews.

Furthermore, we would appreciate the accessibility to relevant documents in the form of reports, minutes, notes, contracts etc. This is an excellent source of information to study the changes over a period of time. We would also appreciate previous industry reports and references to important news that tell about the formation of any organization (both academic and professional) related to FM. It may also include news about success or failure stories relating to FM implementation. The news might have appeared in the professional magazines or in daily newspapers. Any report showing growth or decline of the number of FM suppliers over last few years.

Benefits to interviewees:

We will share the results of our research with you. Further, we will explicitly acknowledge the contribution of all the interviewees in all our publications.

Confidentiality

There will be complete confidentiality. It is very important to mention that we would keep all the data and information confidential. Our analysis would most probably be published in research journal and we shall get your approval before submitting any written material for any publication. The researchers will not publish anything without the permission of the organization. If desired, we will make the organization unrecognizable by replacing the name by a pseudonym. We will not communicate any specific and sensitive information without an explicit permission of the organization / person.

Profile of researchers.

Nijmegen, 03 December 2009

Appendix C: (Emails sent to the potential interviews for collection of field level data)

Dear ……….,

I am writing this email with reference to Ms. …….. email to you few weeks ago regarding my research project. Just to summarize that my research focus is on the development of integrated facilities management in the Netherlands i.e. on the antecedents, processes and outcomes along with the role of key players in the field. Further, since the research is in the area of accounting and I am studying management control systems in interfirm relationships, I would also like to discuss the topics on control as well as trust between suppliers and clients of IFM. I would highly appreciate if you could spare time for an interview during April. The talk would take between one hour and one and a half hours. I would like to emphasize that the interview information will be used for research purposes and will be kept confidential. I have attached a brief description of my research with this email.

Kind regards,

Researcher

Appendix D: Overview of document sources of field data

Sr.#	Name	Description
1	2010 De Nederlandse Facility Management Markt- Een overzicht van cijfers, trends en ontwikkelingen by Ellen Gijsbers, Arne van 't Spijker & Jelle van der Kluit	2010 FM Market in the Netherlands—a joint publication of Twyndstra Gudde, Adviseurs & Managers (consultants) and FMN (Facility Management Nederland)—a professional association.
2	2008 De Nederlandse Facility Management Markt- Een overzicht van cijfers, trends en ontwikkelingen by E. Gijsbers & J.P.C van der Kluit.	2008 FM Market in the Netherlands—a joint publication of Twyndstra Gudde, Adviseurs & Managers (consultants) and FMN (Facility Management Nederland)—a professional association.
3	Facility Management in the Netherlands- Market Analysis 2006, by Manon van Herk, Corrina van Diepen-Knegjens, Jelle van der Kluit & George Maas.	Twyndstra Gudde, Adviseurs & Managers (consultants).
4	De markt van Integraal Facility Management in Beeld Gebracht- Een verkennend onderzoek naar de stand van zaken 2009 by Richard Lennartz & Rob Veeke	A joint publication of Significant-advies- en onderzoekbureau (consultants) and FMN (Facility Management Nederland)—a professional association.
5	The view of Facility Managers about Integrated Facility Management 2008 by Ellen Gijsbers.	Master thesis.
6	Responsiveness of Total Outsourcing of Facility Management, 2007 by T. Bensdorp Bsc.	Master thesis jointly supervised by two academics and a manager from a renowned service provider firm.
7	FM Market Size in Europe by Sven A. Teichmann MBE, issue 11, September 2009.	Published in EuroFM Publication called European FM Insight. This is a practioners' magazine.
8	Demand Management- Changing the way Organizations Acquire Goods and Services.	A publication by a consultant named ATKEARNEY.
9	Trends in FM practice and academic research from a Dutch perspective.	A PowerPoint presentation by Professor Dries van Wagenberg, Endowed Chair Facility Management, Directeur Centrum Facility Management, browsed from internet.
10	Integrated Facility Management.	A presentation by a consultant.
11	What is FM?	A presentation by a consultant.
12	almanak 2009- De informatiecatalogus voor alle leden van Facility Management Nederland.	A publication by FMN. It contains the information about the members of FMN.
13	Geschiedenis van Facility Management- van zoetelaar tot facility manager by Wessel Ytsma & Michiel Ytsma.	A publication by FMN. It is about the history of FM in the Netherlands.
14	The past, present and future of facility management in Europe by Graves, Hitch, Armstrong and Becker.	Browsed on 08-03-2011 at EuroFM website at the following web address http://www.eurofm.org/about-us/what-is-fm/
15	EN 15221-1	A presentation about European definition of FM by EuroFM- European Facility Management Network.
16	The paradigm shift to the demand organization by Iwan Liem.	A PowerPoint presentation by a member of F-MEX Foundation (an association of facility managers).
17	De facility manager regisseert 2009- Positie, verantwordelijkheden en bloning in een veranderend werkveld by Heleen Ruys, Henk Visser & Marijke Wiedemeijer.	A joint publication of Kluwer, Hospitality Interim, FMN and Facto Magazine.
18	The outsourcing monitor	A publication by a consultant.
19	De Toekmost van Facility Management in Nederland, 2011, by A.F. van Wagenberg.	A publication by FMN
20	Nederlandse Facility Costs Index Coöperatie U.A.	An independent authority which gathers costs data, based on NEN 2748, from its members to calculate the costs indices / benchmarks for costs of facility services within the Netherlands.
21	NEN-2748 (Nederlandse Norm-2748)	A Dutch standard for Terms for facilities- Classification and definition.

Appendix E: Overview of codes for the interfirm governance

Name
MF Information
Accounting by MF
Accounting by accountants
Accounting by non-accountants (CF)
Accounting role
Accounting tools
Ambiguity
Amounts
Background of manager
Benefits
Boundary spanners
Coercive Isomorphism
Complexity
Consequences of relationship
Control
Control and trust
Contracting process
Cost savings
Demand Management
Events
Expected changes in future
FABs FM culture
Field Institutional Entrepreneur
Field of FM
Field of CF
Flexibility
History of FM
Industry characteristics
Internal customers
Institutional Context
Interdependence
Legitimacy
Leverage
Management Control
Market Context
Mimetic Isomorphism
Normative Isomorphism
CF information
Opponents
Organizational Changes
Organizational Institutional Entrepreneur
Path Dependency
Performance management
Professionalization of MF
Rationalization Logic
Rationalized Myths / Institutional Logics
Reasons
Relationship information
Relationship Issues
Shareholders
Tensions between Control and Trust
Top management
Trust / Distrust (Integrity, Ability, Benevolence)
Type /nature of Services
Uncertainty
Why IFM?

Appendix F: Overview of codes for the field level governance

Name
Big organizations' role / influence
Boundary spanners
Coercive Isomorphism
Consultants
Contract usage (coordination, safeguard against opportunism, commitment, safegurad for contingencies)
Control and Trust
Developments in the field
Endorsement
Expected future of the field
External influences on the field of IFM
Field Information
FM
Functional Pressures
Institutional Context
Institutional Design
Institutional Entrepreneurs
Institutional trust- (individual & firm specific, intermediaries and regulation)
Legal environment's influence (local and EU)
Legitimacy (cognitive and sociopolitical)
Legitimation (normative / moral and cognitive)
Linkages / coalitions
Management Control
Mimetic Isomorphism
Non-legitimacy reasons
Normative Isomorphism
Opponents of IFM
Opportunism
Organizational field
Political Pressures
Practices / rules of the game
Problems in the field
Process-based trust
Professional association role
Proponents of IFM
Published material
Rationalized myths / institutional logics new
Rationalization logic
Responses of the organizations
Role of Educational Institutions
Social Control
Social Pressures
Specific and Constitutive expectations
Suppliers' role
Theorization
Trust
Trust builders (individuals, organizations, actions, behaviors, characteristics)
What is IFM?

<u>Summary of the Thesis (English)</u>

The purpose of this thesis is to understand governance at two different levels, that is field level and interfirm level. In this thesis, governance is broadly conceptualized as a 'package of practices' that regulates lateral relations regarding the execution and the management of facilities services.

For the purpose of investigating field level governance a model of the institutionalization of new forms of governance is developed. Such institutionalizing occurs in an interaction between construction at field level and adoption and reproduction at the level of organizations and interfirm relations. The development of the model was theoretically informed by institutional theory, particularly by institutional sociology. Institutional Theory in Sociology (ITS) was considered appropriate for the investigation of the field level change in governance because it provides insights into the emergence and development of new governance forms. This is in contrast with new-institutional economics (such as TCE) which would consider the governance forms as already available at field level. In terms of ITS, governance, as a package of practices, is an institution because it provides order and meaning to a set of activities.

In the field study people from different organizations were interviewed. These organizations include service providers, suppliers, client organizations, consultants, professional associations and the academic world. Fourteen semi-structured interviews were conducted with these different field actors. In addition to interviews, field documents in the form of different reports including market reports, presentations by consultants and books were also used. Further, the academic literature (between 1995-2010) in the FM field, particularly relevant to the Netherlands, was also studied in order to get a more reliable view of the field and of the developments in governance. The Internet websites were browsed for collecting information about the field of Facilities Management (FM).

For the interfirm level research on governance an interfirm relationship was investigated and nineteen semi-structured interviews were conducted with managers occupying different hierarchical positions in different companies. The documents in different forms such as

annual reports, presentations by managers, roadmaps, performance reports and organization charts were also an important source of information. In this field study two rounds of interviews were organized in order to follow the developments of the interfirm relationship over time. In addition to the interviews, four general meetings were arranged in order to get access to the organizations and to discuss the results of the first round of interviews with the participants. The organization and management theory, particularly the state of the art related to management control and trust in interfirm relationships, was the theoretical foundation of this study because the concept of governance at an interfirm level is strongly connected to management control and trust.

Theoretical contributions

The contributions of this thesis add to the knowledge in the academic fields of accounting and control as well as facilities management, although the primary focus has been on the accounting field. In the accounting and control discipline, this thesis contributes to two streams of research, that is an institutional perspective on governance change at field level and a management control perspective on control change in interfirm relationships. The specific contributions are as follows:

An Institutional Perspective on Control (Governance) Change

Firstly, this field level research is a first and distinct study that has paid attention to two different concepts of rationality in ITS, that is, instrumental and institutional rationality (cf. Lounsbury 2008). The instrumental rationality approach was adopted by several institutional scholars (e.g; Kraatz and Zajac 1996; Oliver 1991). From the perspective of instrumental rationality some actors in the field (called *institutional entrepreneurs*) bring about institutional change by responding to institutional pressures. For instance, in this study two field level actors (consultants and service providers) get the character of institutional entrepreneurs because of their active participation in the social construction of IFM in the field of FM in the Netherlands. The idea of IFM entered the Netherlands through a multinational client organization and a multinational service provider. We label these actors as field-crossing actors because they are connected to the national and global fields of organizations instead of only local organization field. They are able to connect the global

with the local. This field crossing ability enables these actors to bring new ideas, concepts and governance to specific fields. Though the idea was brought into the field of FM in the Netherlands by an international client organization and a Foreign Service provider, the local service providers and consultants pursued the governance concept very actively. The institutional entrepreneurs explain IFM as a rational response to the existing conditions, characterized by cost reduction pressures in different forms and legal constraints regarding lay off employees. They state that the employees get better career prospects when they move to the service providers due to IFM because FM is the core business of the service providers. They illustrate and spread the success stories of the initial renowned organizations and later adopters to underline the importance of IFM.

There are a number of professional associations that are connected to other professional associations and the field actors. Some organizations are local, like FMN, F-MEX, and some are transnational such as IFMA and EuroFM. The professional associations have mainly been interested in the dissemination of knowledge, best practices and new ideas. The professional associations are a kind of professional network as described in the theoretical framework developed in chapter 4. They have been helpful to the institutional entrepreneurs in the construction of IFM because institutional entrepreneurs participate in and contribute to the publications and conferences organized by the professional associations.

A perspective of *institutional* rationality explains the influence of the (broader) institutional logics or institutional orders on the actions and understandings of all the field actors including institutional entrepreneurs. IFM gains acceptance in the field and guides the cognition of the field participants because it resonates with the logics prevailing (logic of rationalization) in the field of FM in the Netherlands and also the broader logics of (market and corporations). The historical analysis of the academic and professional literature in the field of FM in the Netherlands in combination with interviews revealed the dominance of the 'logic of rationalization' (reduction of costs) in the field of FM. The 'logic of rationalization' has been reinforced over time by the 'performativity' of theories of the value chain, lean and mean production, and outsourcing. It is added that the 'logic of rationalization' has become powerful by competition and the financial crisis over time.

Secondly, this thesis focuses on both the field level as well as on the (inter)firm level and thus responds to the call for multi-level analysis (e.g; Hopper & Major; 2007; Lounsbury, 2008). Further, the construction at field level (O' Dwyer et al., 2011) rather than adoption at the organizational level is investigated, so the contributions add to the scarce number of ITS based studies in accounting that focused on the field level (e.g; Dillard et al. 2004, and Hopper and Major, 2007; Ezzamel et al., 2007; O'Dwyer et al., 2011). Besides, this research also reacts to the calls for more studies on institutional entrepreneurship (e.g; Garud, Hardy, and Maguire 2007).

Thirdly, the idea underlying the institutional logics literature (e.g; Lounsbury & Crumley, 2007; Thornton, 2002) is that practices such as governance change and new practices emerge because underlying logics of the field change. However, this thesis demonstrates that different governance forms and practices (FM staff department concept, SSC and IFM / TFM)) emerge over time without change in the dominant logics. This is because all the governance forms are compatible with the dominant logic. The emergence of new governance forms occurred over time in the field of FM though there has been only one dominant institutional logic. Different practices co-exist in the organizational field at a particular moment in time because they are all compatible with the dominant institutional logics. Their appropriateness may be dependent on other factors such as size, ownership or private vs. public companies. For example, the big organizations consider IFM or a demand management organization to be a suitable governance choice, while governmental and non-profit organizations opt for an FM department concept. This research has revealed that historically the logic of rationalization has been dominant and that the emergence of a variety of governance practices may not necessarily be because of different institutional logics. This finding has an implication for the ITS regarding the explanation of practice variation in a field.

Lastly, this research confirms the criticism (e.g; Hirsch and Lounsbury 1997; Palmer, Jenning, and Zhou 1993) of the dichotomy between the technical and the institutional environment (e.g; Tolbert & Zucker, 1983) which entails that the early organizations designing and developing a new governance form are efficiency-seeking (emphasizing the

technical environment) and that the later adopter organizations are legitimacy-seeking (emphasizing the institutional environment). As this research shows, it is the institutional rationality and institutional logics that guide the decisions of both early and later adopter organizations. In this case, the logic of rationalization determines both the dominance of the efficiency criterion and what is considered to be efficient.

An Interfirm Perspective on Control (Governance) Change

This research contributes to theory development on the shaping of governance in interfirm transactional relationships. It responds to the calls for longitudinal research into the (co)evolution of accounting, control and trust (e.g; Free 2008; Caglio and Ditillo 2008; Gulati 2010). Particularly, the research theorizes the interaction between implicit control (trust) and explicit control; such an interaction is embedded in the historical development of the organizational relationship. The research demonstrates that accounting and control practices serve the building of trust. Therefore, accounting and control practices not only are safeguarding and incentivizing devices, but also help building cooperative attitudes in the relationship. These practices also help to create commitments with the partners involved. Consistent with prior theoretical work (Vosselman and Van der Meer-Kooistra, 2009) our field study reveals that trust positively influences the institution and practicing of formal controls, and vice versa. But as soon as trust is built it starts to become an (implicit) control in itself. It produces cooperative frames and, thus, commitments by the partners. Explicit control interacts with implicit control.

But the study also reveals how power may become important. In contrast with prior literature (e.g; Gulati 1995a; Gulati 1995b; Vélez, Sánchez, and Álvarez-Dardet 2008), this research suggests that trust in a long term relationship may become questionable and may not develop further. It may change into a power relationship. Of critical importance are the backgrounds and norms and values of the boundary spanners of organizations in the interfirm relationship. A mismatch between the values and norms of the boundary spanners may result in power instead of trust. Explicit control then produces mistrust rather than trust.

This research also points out that the production of "thin" trust through a contractual agreement on safeguards, constraints and incentives for the purpose of aligning interests, and the production of "thick" trust by signaling commitment to the relationship (see Vosselman and Van der Meer-Kooistra, 2009) cannot be isolated from each other. In the field study, the (re)creation of safeguards, constraints and incentives in the context of interest alignment proves to be driven by the need for both appropriation concerns and cooperative frames.

<u>Samenvatting</u>

Dit onderzoek beoogt inzicht te verkrijgen in 'governance' op een tweetal niveau's: het niveau van hetFM veld (field level) in Nederland en het niveau van een interorganisationele relatie. Daarbij wordt 'governance' breed geconceptualiseerd als een 'pakket van praktijken' dat laterale relaties rond de regeling en de uitvoering van facilitaire dienstverlening reguleert.

Ten behoeve van het veldonderzoek is een model van de institutionalisering van nieuwe vormen van governance ontwikkeld. Een dergelijke institutionalisering vindt plaats in een wisselwerking van constructie op veldniveau en adoptie op het niveau van organisaties en organisatorische samenwerkingsverbanden. De ontwikkeling van het model is theoretisch gevoed vanuit de institutionele theorie, met name vanuit de sociologische variant van deze theorie. Overwogen is dat de nieuw -institutionele economische theorie governance structuren beziet als instituties die reeds beschikbaar zijn op het niveau van het veld en niet als 'institutions in the making'. Nieuw-institutionele sociologische theorie levert daarentegen inzichten op over hoe nieuwe vormen van 'governance' ontstaan en hoe ze zich ontwikkelen. Zo'n nieuwe vorm van 'governance' wordt beschouwd als een institutie omdat het stabiliteit en betekenis geeft aan een set van praktijken.

In het veldonderzoek zijn diverse personen uit diverse organisaties geinterviewd. Tot de organisaties behoren de leveranciers van diensten, klantorganisaties, consultants, professionele associaties en de academische wereld. Er werden in totaal veertien semi-gestructureerde interviews uitgevoerd. Bovendien werden documenten (in de vorm van diverse rapporten, waaronder rapporten over de marktontwikkelingen) bestudeerd, werden presentaties van consultants bijgewoond en werden boeken bestudeerd. Om meer betrouwbaar inzicht te verkrijgen in de ontwikkelingen op het veld van FM werd wetenschappelijke literatuur uit de FM discipline uit de periode 1995-2010 bestudeerd. Voorts werden internet sites bezocht om additionele informatie te vergaren.

Ten behoeve van het interorganisationele onderzoek ('interfirm level') is een 'interfirm'-relatie onderzocht. Negentien semi-gestructureerde interviews werden uitgevoerd met managers op verschillende hierarchische posities in diverse organisaties. Documenten in diverse vormen, zoals jaarlijkse rapporten, presentaties door managers, 'roadmaps', rapportages over

'performance' en organisatieschema's waren belangrijke bronnen van informatie. Er werden twee rondes met interviews georganiseerd, zodat de ontwikkelingen in de 'interfirm'-relatie in de loop van de tijd gevolgd konden worden. Bovenop de interviews werd een viertal bijeenkomsten georganiseerd. Die bijeenkomsten dienden om de toegang tot de organisaties te vergemakkelijken en om de resultaten uit de eerste ronde van interviews met de participanten te bespreken en te bediscussieren.

De theoretische basis voor deze interorganisationele studie is gezocht in theorie over management control en vertrouwen ('trust'). Governance blijkt op het niveau van een interorganisationele relatie sterk verbonden met het beinvloeden van partijen met behulp ven expliciete en impliciete controlmechanismen.

Theoretische bijdragen

Deze studie draagt bij aan zowel de academische 'accounting and control'-discipline als de academische discipline van het facilitair management. De focus heeft evenwel gelegen op de accounting and control discipline. Meer in het bijzonder draagt deze studie bij aan een tweetal onderzoekstromingen binnen die discipline: institutionele perspectieven op veranderingen in governance op 'field level' en perspectieven op veranderingen in management control binnen een interorganisationele relatie. Meer in het bijzonder zijn de bijdragen de volgende.

In relatie tot het veldonderzoek

1. Het veldonderzoek is een eerste onderscheiden studie binnen de accounting en control discipline die aandacht besteedt aan een tweetal concepten van rationaliteit, namelijk instrumentele en institutionele rationaliteit (Lounsbury, 2008). De benadering op basis van instrumentele rationaliteit werd eerder buiten de accounting and control discipline gekozen door diverse onderzoekers op het gebied van institutionele theorie (e.g;. Kraatz and Zjac, 1996; Oliver 1991). Toegepast op deze studie laat de instrumentele benadering van rationaliteit een aantal actoren in het veld ('institutionele ondernemers') zien die als gevolg van institutionele druk veranderingen doorvoeren. Zo blijkt bijvoorbeeld dat adviseurs (consultants) en leveranciers van diensten door hun actieve bijdrage aan de constructie van zogenaamd IFM de rol van institutionele ondernemer in het Nederlandse FM-veld

verwerven. Het idee van IFM (Integrated Facilities Management) werd in Nederland geimporteerd door een multinationale klantorganisatie en een multinationale dienstverlener. Deze actoren krijgen in de studie het 'label' van 'field-crossing actors'; zij verbinden the 'local' met de 'global', het internationale veld met het Nederlands veld. Zij brengen nieuwe concepten van 'governance' naar het Nederlandse veld. Locale dienstverleners en 'consultants' blijken het idee van IFM snel te adopteren en verder te ontwikkelen. Meer en meer wordt IFM door de institutionele ondernemers gepositioneerd als een rationeel antwoord op bestaande omstandigheden. Die omstandigheden worden onder andere gekarakteriseerd door een grote druk on kosten te verlagen en door wettelijke beperkingen rond het ontslagrecht. De institutionele ondernemers argumenteren dat werknemers betere carriereperspectieven krijgen als zij in dienst komen van dienstverleners; IFM biedt daartoe de mogelijkheden omdat het de facilitaire dienstverlening volledig tot de 'core business'van die dienstverleners maakt. De institutionele ondernemers verspreiden de succesverhalen van initiele (en latere) 'adopters' van IFM om de rationaliteit van IFM te onderstrepen. De voortgaande ontwikkeling van IFM blijkt ook te worden ondersteund door een aantal professionele organisaties (FMN, F-MEX, IFMA, EuroFM). Deze organisaties verspreiden kennis, nieuwe ideeen en 'best practices'. Dat geschiedt o.a. via publicaties en conferenties. Deze organisaties zijn een kern van een professioneel netwerk zoals dat in het hart ligt van het model dat in hoofdstuk 4 van deze thesis wordt ontwikkeld.

De instrumentele rationaliteit is dus de rationaliteit van de keuze voor IFM; een rationaliteit die sterk wordt beinvloed door de actie van institutionele ondernemers. Maar die acties worden ook beinvloed door een achterliggende institutionele logica. Vanuit een perspectief van institutionele rationaliteit wordt een verklaring gegeven van de invloed van die (bredere) institutionele logica op de acties en inzichten van de actoren in het veld, inclusief de institutionele ondernemers. Het blijkt dat IFM als rationeel instrument wordt geaccepteerd omdat het resoneert met de dominante institutionele logica van de rationalisatie. Dit wordt geconcludeerd uit een historische analyse op basis van academische en professionele FM-literatuur en uit interviews met diverse participanten. Kostenreductie blijkt een allesoverheersend motief. De 'logica van de rationalisatie' is in de loop van de tijd versterkt door de 'performativiteit' van theorieen over de 'value chain', over 'lean and mean

production' en over uitbesteding. Ook sterke concurrentie en de financiele crisis hebben de 'logic of rationalization' versterkt.

2. Deze studie is een voorbeeld van een 'multi-level'-analyse. In dat verband beantwoordt de studie aan oproepen van diverse ondescheiden onderzoekers (e.g; Hopper & Major; 2007; Lounsbury, 2008). Een belangrijke nadruk ligt op de vraag hoe een nieuwe institutie op veldniveau wordt geconstrueerd. Vorige studies concentreerden zich meer op de adoptie van een institutie op het niveau van een organisatie of het niveau van een organisatorisch samenwerkingsverband. Uitzonderingen daarop vormen Dillard et al. 2004, Hopper and Major, 2007; Ezzamel et al., 2007; and O'Dwyer et al., 2011. Door de aandacht voor de constructie op veldniveau is deze studie ook een antwoord op de roep om institutionele ondernemers meer in de analyse te betrekken (o.a. Garud, Hardy and Maguire, 2007).

3. Een van de veronderstellingen in de literatuur over de 'institutional logics' (e.g; Lounsbury & Crumley, 2007; Thornton, 2002) is dat praktijken of instituties veranderen omdat de onderliggende logica verandert. Deze studie laat echter zien dat governance instituties veranderen zonder een verandering van de onderliggende logica. Alle beschikbare governance praktijken en instituties blijken in overeenstemming te zijn met de dominante logica van de rationalisatie. IFM als set van praktijken ontwikkelt zich zonder dat er sprake is van een verandering in onderliggende logica. Deze bevinding heeft betekenis voor de op de institutionele theorie gebaseerde verklaring van variaties in instituties in de praktijk.

4. Dit onderzoek onderstreept de kritiek (e.g; Hirsch and Lounsbury 1997; Palmer, Jenning, and Zhou 1993) op de veronderstelde dichotomie tussen de technische en institutionele omgeving (e.g; Tolbert & Zucker, 1983) van de organisatie of het organisatorisch samenwerkingsverband, een dichotomie die aanleiding heeft gegeven tot een onderscheid tussen efficiency-zoekend (vooral de early-adopters) en legitimiteit-zoekend (de 'late adopters') gedrag van adopterende organisaties. als het gaat om de adoptie van nieuwe 'governance'-structuren. Dit onderzoek suggereert dat institutionele rationaliteit (en dus institutionele logica) de beslisisngen van zowel de 'early' als 'late adopters' van nieuwe

governance instituties stuurt. De dominantie van de logica van de rationalisatie bepaalt dat het criterium van efficiency dominant is.

In relatie tot het onderzoek naar de control in een interorganisationele relatie

5. Dit onderzoek draagt ook bij aan theorieontwikkeling over de vormgeving van governance in een interorganisationele relatie. Het beantwoordt oproepen van diverse onderzoekers (e.g; Free 2008; Caglio and Ditillo 2008; Gulati 2010) tot het doen van meer longitudinaal onderzoek naar de (co)evolutie van control en vertrouwen. De theorievorming betreft in de eerste plaats een interactie tussen impliciete control (trust) en expliciete control; een interactie die is ingebed in de historische ontwikkeling van een interorganisationele relatie. Dit onderzoek demonstreert dat accounting en control praktijken dienstbaar zijn aan de opbouw van vertrouwen. Accounting en control praktijken zijn daarmee niet alleen functioneel ten behoeve van waarborging en prikkeling, maar helpen ook een cooperatieve en betrouwbare samenwerkingsrelatie met een commitment van de partners te handhaven. Consistent met eerder theoretisch werk (Vosselman en Van der Meer-Kooistra, 2009) demonstreert deze studie dat vertrouwen de creatie van formele control structuren en praktijken positief beinvloedt , en omgekeerd. Maar zo gauw het vertrouwen is opgebouwd ontwikkelt het zich ook tot een (impliciete) control in zichzelf. Het bevordert cooperatieve vensters op het samenwerkingsverband (en daarmee commitment van de partners). Expliciete control blijkt te interacteren met impliciete control.

Maar ook macht wordt in de beschouwing betrokken. In tegenstelling tot veel van de bestaande literatuur (e.g; Gulati 1995a; Gulati 1995b; Vélez, Sánchez, and Álvarez-Dardet 2008) suggeeert dit onderzoek dat een bestaande vertrouwensrelatie in een interorganisationele relatie kan veranderen in een machtsrelatie. Kritische daarbij zijn de achtergrond en de waarden en normen van de 'boundary spanners' . Een 'mismatch' van achtergronden, waarden en normen kan een vertrouwensrelatie doen veranderen in een machtsrelatie. In zo'n machtsrelatie produceert expliciete beheersing geen vertrouwen, maar wantrouwen.

Het onderzoek laat ook zien dat de productie van enerzijds 'dun vertrouwen' via contractueel vastgelegde waarborgen, beperkingen en prikkels (tegen de achtergrond van 'interest

alignment') en van anderzijds 'dik vertrouwen' via relationele signalering niet geisoleerd kunnen worden. In de case study blijkt het (her)ontwerp van waarborgen, beperkingen en prikkels te worden aangedreven door zowel zorgen over onterechte toe-eigening, als door cooperative vensters op de relatie.

Curriculum Vitae

Muhammad Kaleem Zahir ul Hassan was born on 19th December 1975 in Lahore, Pakistan. He did Bachelors in Commerce (B.Com) from the University of Punjab Lahore in 1997. After that he went to the Institute of Cost & Management Accountants of Pakistan (ICMAP) for further studies. He got a distinction of gold medal by obtaining first position in the whole Pakistan in the final examination of the ICMAP and became an Associate Cost & Management Accountant (ACMA) in 2001. He worked in banking, audit and telecommunication sectors for five years. As a visiting faculty, he taught both financial and management accounting courses at undergraduate and graduate levels for more than 4 years at the Lahore School of Economics, Lahore Pakistan. In 2005 he won overseas PhD scholarship from the Higher Education Commission (HEC) of Pakistan and in October 2006 he joined the Nijmegen School of Management, Radboud University the Netherlands for pursuing PhD. During his PhD he participated in different international doctoral courses/seminars and presented his research at several international research conferences. His research interests lie in management accounting. He is specifically interested in the governance / management control systems within and between organizations, and social construction and diffusion of accounting practices. At present he is working as assistant professor of accounting at the Department of Economics, Radboud University Nijmegen the Netherlands.

He is married to Beanish Iqbal and is a father of three adorable boys.